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ABSTRACT

This study identifies the features of state tax systems that contribute to tax equity. It also identifies states that have come closest to achieving those features and ranks the states accordingly. Thus, the greater the conformity, the more equitable the tax system, and the higher the state's ranking. The study looks at the four major tax areas of sales, income, business, and property taxes, as well as the general area of state tax administration. Numerous tables that summarize the findings are also included. (Author/LD)

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THE CAPE MEASURE

TAXES: HOW THE STATES MEASURE UP

EA 012 318

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TAX EQUITY IN THE FIFTY STATES

By Diane Fuchs and Steve A. Rabin

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FOREWARD

By James Farmer

Last year, Howard Jarvis, a long-time peddler of right wing snake oil, added Proposition 13 to the nation's political vocabulary.

Jarvis and others have capitalized on the fact that state and local tax systems are a mess. The "cure" they are promoting is tax relief through drastic across the board cuts and ill-conceived and unworkable limits of taxes and public spending.

Instead of blaming the special interests who created the inequities in the tax laws the target has become the poor, the sick, and the powerless. And the "cure" they propose affects everybody, because it hits such essential services a police and fire protection, health, transportation, education, and welfare.

My friend Michael Harrington nails Jarvis and his game in saying, "People who are rightly angry at unfair taxes have been conned into blaming the services they pay for, rather than attacking the unfair way those services are financed."

And there's not a doubt in the world that taxes are unfair. The way state and local tax systems work now is that low and moderate income families carry most of the load. The laws have been manipulated to the point that they condone and even encourage large-scale tax avoidance by big corporations and the rich. When I say "large-scale", I am not exaggerating, because we are talking about billions of dollars. And the people who are footing this bill --- and still will be footing the bill when Mr. Jarvis and his followers are through --- are those who have to work the hardest just to stay even.

This is where politicians across the country are avoiding the real problem. Rather than confront an unfair tax system --- which requires leadership --- they scramble aboard a runaway Proposition 13 bandwagon moving ever further away from tax justice.

Yet, Proposition 13 has accomplished one good thing. It finally focussed attention and public interest on state and local tax structures and the need for reform. Tax reform does not lend itself to quick solutions or demagoguery. The tax structure of each state must be studied with reforms made that are relevant, and not simply imitated from one state to the next.

continued...

The Coalition of American Public Employees and its affiliates have been working at this for a long time. The following study is one part of this effort. Authors Diane Fuchs and Steve Rabin have put together an invaluable document for evaluating on a state by state basis the fairness and the effectiveness of taxes.

In conjunction with this study, CAPE contacted the 50 state legislatures to learn what they are doing about the "tax revolt" and we were not surprised to find that at least 37 have introduced bills for spending limits, but not a single one has proposed genuine broad based tax reform.

And that's why we are here today; to challenge Governors and legislators to address the real problem --- tax equity, and to renew the commitment to vital human services. It is my fervent hope that out of this study and this challenge will come reforms that insure that all who benefit from government pay their fair share of the bill.

OVERVIEW

This study identifies tax features currently in use by various states that the authors consider contribute most to equitable systems of state taxes. The study also identifies states that have implemented these features or have come closest to achieving them and ranks the states accordingly.

The study looks at the four major tax areas: sales, income, business and property taxes, as well as the general area of state tax administration.

The characteristics of each tax area which the authors consider most important are:

SALES TAX

- The tax rate
- Exemptions or credits for necessity items
- The inclusion of services as well as goods in the tax base

PERSONAL INCOME TAX

- Whether the effective rate of taxation increases as income rises
- How households under the poverty level are taxed
- Reliance on the income tax

TAXATION OF BUSINESS

- Whether the state taxes corporate income
- The extent to which the state uses the unitary auditing method
- The extent to which the state grants tax breaks to business

PROPERTY TAX

- Real Property Assessment

  --- Whether the state requires full-value assessments
  --- The degree of conformity between assessments and the state standard

- Real Property Assessment (continued)

  --- Types of state-mandated assessment methods and administration standards such as requiring annual assessments, preparation of assessment ratios, and uniform training and educational standards for assessors
  --- The accuracy of assessments within taxing districts (coefficient of dispersion)

- Whether the state effectively taxes intangible property
- Whether the state provides property tax relief such as homestead exemptions and circuit breakers

GENERAL TAX ADMINISTRATION

- Administrative and Legislative Policy

  --- Whether the state requires and makes public tax collection and enforcement ratios
  --- Whether the state requires regular reviews of existing tax deductions, credits, and abatements and their cost in lost revenue

- Interstate Cooperation

  --- Whether the state is a member of the Multistate Tax Commission

- Whether the state provides payments in lieu of property taxes to localities for state-owned property and the extent of the program

CHAPTER I

SUMMARY OF RESULTS

The states and the District of Columbia were ranked in each of the five areas (sales, income, business, property, general administration) from 1 (best) to 51 (worst). The ranking for the overall ten best and ten worst states summarizes the rankings in each of the five areas. Each area was given equal weight and accounts for one-fifth of the final results.* The rankings are summarized in TABLE 1.

Within each area, the ranking resulted from combining and indexing raw points awarded in each of the tax area's subcategories.**

Each subcategory was given equal weighting in determining the ranking in the tax area.

The overall best states and their rankings are:

Oregon (1)	Idaho (6)
Michigan (2)	Hawaii (7)
Wisconsin (3)	Colorado (8)
California (4)	Maine (8)
Minnesota (5)	Alaska (10)

The overall worst states and their rankings are:

Alabama (51)	Louisiana (46)
Mississippi (50)	Rhode Island (45)
Wyoming (49)	Indiana (44)
Tennessee (48)	Kentucky (43)
Texas (47)	Illinois (42)

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* Some may feel that each of the five areas should not be given equal weight. Using the tables and the appendix on the ranking procedure readers can recompute the results giving different weightings to any one or more of the five areas.

** Because the total possible raw points in each tax area were different, to give all categories equal weight the raw points were indexed. Throughout the study the number 50 was used as the index. For example, in the

THE SALES TAX

The sales tax is the most regressive tax because it takes a greater percentage of household income as income declines. The higher the sales tax rate, the larger is the burden and regressivity. Of states which have a sales tax, those with the lowest rate received the most points and those with the highest rate the fewest points.

There are two ways to make the sales tax less regressive. One is to exempt such necessities as food and medicine from the tax or to provide credits on the income tax to compensate for the payment of the sales tax on necessity items. The other is to broaden the sales tax base to cover not only goods but services. Because the purchase of services tends to increase with income, taxing services provides a progressive source of additional revenue. This revenue can be used to reduce the overall sales tax burden on low and moderate income families or the burden of other state taxes. Those states that exempt necessities, provide credits, or tax services received increasing numbers of points depending on the extent to which they use these features.

The states that conform most closely to these features received the most points and are ranked the highest. The top rankings are held by New Mexico (1), Vermont (2), Hawaii (3), Idaho (4), Nebraska (4), Massachusetts (4), Arizona (7), Louisiana (8), Colorado (9), and Iowa (10).

The bottom rankings indicating the least degree of conformance, are

---

sales tax area there are three subcategories: Rate, Exemptions and Credits, and Services. The highest number of raw points possible in the Rate category was 10, in the Exemption and Credits category 15, and in the Services category 23. In order to give the raw numbers 10, 15, and 23 equal weight they were made equivalent to 50 and the actual points were correlated accordingly.

Connecticut (51), Tennessee (50), Illinois (49), Mississippi (48), Alabama (47), Washington (46), South Carolina (45), California (44), Rhode Island (43), and Kentucky (42).

Rankings for all the states and the District of Columbia are shown in TABLE 5.

PERSONAL INCOME TAX

The personal income tax has the potential for being the most progressive source of revenue as well as a substantial source that can enable states to reduce the burden of other taxes (such as sales and property taxes) on low-and moderate-income households. Those states with no income tax were automatically ranked the lowest in this area; the states are Florida, Connecticut, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming.

Progressively graduating effective rates of taxation, not taxing households with income at or below the poverty level, and providing refunds or credits to low income households are ways to make the income tax more fair. In addition, the more a state relies on the personal income tax the more likely the overall tax structure of the state will be equitable.

States that most closely conform to the above features received the most points and are ranked the highest. The top ten places are held by Wisconsin (1), Minnesota (2), California (3), Delaware (4), Maine (5), New York (6), Michigan (7), Alaska (8), New Mexico (9), and Hawaii (10).

Of the states with a personal income tax, the bottom ten places indicating the least degree of conformance are held by Indiana (42), Louisiana (41), Alabama (40), Pennsylvania (39), Arizona (38), Illinois (37), Montana (36), New Jersey (35), Kentucky (34) and Missouri (33).

Rankings for all the states and the District of Columbia are shown in TABLE 8.

TAXATION OF BUSINESS

When business does not pay a fair share of the overall tax burden individuals bear a heavier burden, paying higher taxes on income, property, and purchases.

States that have a comprehensive corporate income tax make use of a revenue source that makes business assume a share of the tax burden and also contributes to tax uniformity among the states.

Administering taxes that are already on the books is a difficult problem for most states whose audit capabilities are seldom a match for billion-dollar multinational corporations that use their complex structures to hide profits. The result is that states collectively lose an estimated 3 billion dollars a year. The unitary method for measuring how much of a multistate or multinational business's worldwide income is attributable to a specific state is the most effective method currently available. The more comprehensive the use of this method is, the more equitable and effective tax collections can be.

When states do not tax corporations or provide tax breaks to business, they engage in a fruitless competition. Studies show that business decisions on where to locate activities are not affected by such breaks. In other words, tax breaks are unjustified subsidies or giveaways, usually to the largest corporations, and the cost is borne by individual taxpayers. Points were subtracted from states that provide breaks such as exemptions from the sales tax, property tax abatements, property tax exemptions on inventory, and accelerated depreciation of industrial equipment, to name a few.

The states which most closely conform to these features are Utah (1), California (2), Idaho (3), Montana (4), Oregon (4), North Carolina (6), Michigan (6), North Dakota (8), Ohio (8), and Massachusetts (8).

The lowest rankings are held by Alabama (51), Kentucky (50), Washington (49), Wyoming (47), Texas (47), New Mexico (45), Oklahoma (45), Illinois (40),

Kansas (40), Louisiana (40), Nevada (40), and Mississippi (40).

Rankings for all states and the District of Columbia are shown in TABLE 12.

PROPERTY TAX

The present role of the state in property taxation is small because the tax is primarily a source of local revenue and is levied and administered at that level. There are, however, many ways that the state can contribute to improving the fairness of the property tax.

1. Assessment of Real Property

When assessments are not uniform those who are underassessed receive tax breaks at the expense of those who are overassessed. Although seldom achieved, uniformity of assessment contributes to tax equity.

Assessing property at its full value rather than at some fractional level improves uniformity. For one, it is a more straightforward standard that allows taxpayers to make informed comparisons. States that require localities to assess at full value are contributing to greater assessment equity.

States can improve assessment performance by requiring frequent assessments, by preparing and publicizing comparisons of assessments with actual sales prices and the state standard, and by requiring training and high educational qualifications for assessors.

One way to test the quality of assessment is to see how closely assessments compare with the state standard. Another is to examine the uniformity of assessments in a particular district. The intradistrict deviation is expressed as the coefficient of dispersion. The greater the conformity to the state standard and the lower the coefficient of dispersion the better the assessment performance.

2. Intangible Property

Intangible wealth such as stocks and bonds, money on deposit, and securities is also a type of property but is seldom taxed effectively. Real property on the other hand (including such necessities as homes) is fully taxed. More effective taxation of intangible property can help reduce the burden of taxation on real property. The additional revenue it provides can be used to lower tax rates on real property. In addition, taxing intangible wealth would make the property tax system more progressive. This is so because the wealth of those with incomes in excess of $60,000 a year is more heavily concentrated in intangible property rather than in real property. The failure to tax intangibles gives a break to the wealthy few at the expense of overburdened homeowners and renters.

3. Relief to Individuals

Some states provide relief to real property taxpayers. Typical programs are circuit breakers and homestead exemptions. Programs that target relief according to need to renters as well as homeowners and to young families as well as the elderly, are preferred to across-the-board relief to all regardless of need.

The states that most closely conform to all of the features outlined are Oregon (1), Georgia (2), Wisconsin (3), Michigan (4), Maryland (5), Florida (5), Iowa (7), California (8), North Carolina (9) and Kentucky (9).

The ten bottom places are held by Louisiana (51), Montana (50), Wyoming (49), Alabama (48), Texas (46), Mississippi (46), Idaho (45), North Dakota (43), Delaware (43), and Tennessee (42).

Rankings for all states and the District of Columbia are shown in TABLE 18.

GENERAL TAX ADMINISTRATION

Many states could substantially increase revenues without imposing additional taxes or higher rates simply by administering their tax laws more effectively.

First, states must be aware of how much is "spent" each year on tax breaks, just as they review how much is spent for various programs, departments, and salaries, by requiring regular legislative review of all tax legislation. Also, states should be aware of how well their administration and enforcement efforts are succeeding by preparing and making public statistics showing how much is being spent on tax enforcement compared with the return.

Second, states can cooperate with one another to enforce their tax laws. Such cooperation, primarily through membership in the Multistate Tax Commission, reduces the cost of enforcement for each state, and assures that multistate and multinational corporations pay the amount of taxes owed. Member states receive back over $31 for each dollar committed to the joint audit program.

In addition, states should provide reimbursements to local governments for state owned property that is exempt from local property taxes. Without reimbursements state exempt property can cause a serious depletion of the local tax base resulting in a large tax burden on local homeowners for the support of local services.

Those top ten states that conform most closely to the criteria outlined above are California (1), Michigan (2), South Dakota (2), Washington (2), Montana (5), North Dakota (6), Oregon (6), Texas (6), Colorado (6) and Utah (10).

Those states that least conform are Delaware (46), Iowa (46), Mississippi (46), Oklahoma (46), Rhode Island (46), West Virginia (46), New

Hampshire (43), Ohio (43), Vermont (43), Alabama (35), Arizona (35), Florida (35), Indiana (35), Kentucky (35), Louisiana (35), Virginia (35), and Wyoming (35).

These rankings are summarized in TABLE 22.

A NOTE ON THE RESULTS

This study is intended to provide a beginning framework for analysis and future study.

This study does not evaluate all possible equity factors. For certain factors comparisons among states is meaningless. For example one cannot compare the severance tax in a state with large oil deposits to a state with no such resources or tax. Also, in some cases adequate data are not available or the equity factors are difficult or impossible to quantify. In addition this study does not consider efficiency in the administration of a tax, its revenue raising capacity, actual levels of revenues, or levels of funding for certain tax relief programs.

With the above limitations in mind, the rankings should not be used as an ultimate measure of tax equity. Special caution is urged for states that ranked fairly high. These states do well only in relation to others and a high ranking does not mean that important reforms are not necessary to achieve true tax equity.

CHAPTER II

THE SALES TAX

Forty-five states and the District of Columbia use a sales tax as a major source of revenue. In 1976 the average American family paid $642.35 in sales taxes which yielded $47.4 billion nationally.

By and large, the sales tax is a regressive source of revenue. It is not based on the ability to pay, and it falls more heavily on lower income families than on the more affluent. This regressivity can be mitigated to some extent, however, by exempting necessities from the tax, providing income tax credits as an offset and including services as well as goods within the tax base.

The five states that do not impose a general tax on sales --- Alaska, Delaware, New Hampshire, Montana, and Oregon --- are discussed at the end of the chapter.

For states which do impose a tax on sales, this Chapter evaluates the steps which have been taken to mitigate the regressivity of the tax. The three characteristics reviewed were:

- The tax rate;
- Exemptions and credits; and
- The extent to which services are covered.

Rates

Sales tax rates range from 2 percent in Oklahoma to 7 percent in Connecticut. Rates of 3 and 4 percent are the most common. Sales tax rates and rankings are shown in TABLE 2.

Because the sales tax is generally regressive, the assumption was made that a higher tax rate places a greater absolute burden on low-income persons than a lower rate. Thus the lowest sales tax rate (2 percent) is

theoretically least burdensome and was awarded the most points, while a sales tax with the highest rate (7 percent) is the most regressive and received no points. (FIGURE 1).

Some states with high sales tax rates maintain that the increased burden is "exported" to commuters or tourists, and the impact on low-and moderate-income residents can be alleviated through credits. (See Exemptions and Credits below). Such "exporting" places an unfair burden on low-and moderate-income persons who travel or commute to work. For this reason this study rejected the "export" concept as a rationale for high sales tax rates.

FIGURE 1

Ratings of Tax Rates

Tax Rate (%)	Points
2	10
3	8
4	6
5	4
6	2
7	0

Exemptions and Credits

Applying the sales tax to purchases of basic necessities imposes an especially heavy burden on low income people, who generally spend a greater percentage of their incomes on the basics than do the more affluent. For this reason, states which exempt food, clothing,* and/or medicine

* Some economists believe that exempting clothing benefits higher-income families more than low-income families. Because those states that exempt clothing place a dollar limit on the value of the exemption or do not exempt some luxury clothing, the exemption was awarded points in this study.

from their sales taxes are awarded points. The number of points assigned corresponds to the ratio in which these items are typically consumed.* (FIGURE 2).

Seven states have instituted income tax credits as a means of mitigating the regressivity of their sales taxes. Colorado, Idaho, Massachusetts, and Nebraska provide flat credits under which income taxes are reduced by a set amount per taxpayer or dependent. Such credits are the equivalent of exempting a certain quantity of purchases from sales tax. Although not targeted specifically to lower income families, these flat credits do provide some relief from the overall regressivity of the sales tax. In practice, the credit amounts range from $4 per individual in Massachusetts (equal to a sales tax exemption for $80 worth of purchases) to $16 in Nebraska (equal to an exemption for $533 worth of purchases).

New Mexico, Vermont, and Hawaii have instituted graduated credits, which decrease as an individual's income rises. A graduated credit can be targeted to those most hurt by the regressivity of the sales tax, and is therefore more progressive than a flat credit.

Some economists prefer a credit system to exemptions for necessities, on the theory that exemptions distort consumption patterns and create "economic inefficiencies". Others point out, however, that credits are more complicated and are less useful to low income families, who are the least likely to file the income tax returns necessary to receive relief.

This study does not attempt to resolve this dispute. Instead, flat credits were assigned the same number of points as the combined exemption of food, clothing, and medicine. Graduated credits have the potential

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* According to the United States Bureau of Labor Statistics, the consumption ratio for food, clothing, and medicine is approximately 4-2-1.

to be the most progressive approach, and states utilizing them received the highest number of points in this section.*

FIGURE 2

Ratings of Exemptions and Credits

Specific Form	Points
Exemption for Medicine	1
Exemption for Clothing	2
Exemption for Food	4
Flat Credit	7
Graduated Credit	10

Taxing Services

A "general" sales tax by definition applies to all consumption, including services as well as goods. But most states do not tax most services, resulting in a higher sales tax burden on individuals who spend larger percentages of their incomes on goods. Because relative consumption of services generally increases with income, exempting services from the sales tax is severely regressive.

In rating the states in this category, points were awarded for including various kinds of services within the tax base. More points were awarded for taxing those services more likely to be utilized by higher income individuals. Sales taxes on services by state are shown in TABLE 4.

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* The methodology employed here may in practice overrate some of the less generous state credit systems, as compared to exemptions, but we have concentrated on the potential progressivity of various approaches.

FIGURE 3

Ratings of Services Taxed

Specific Form	Points
Admissions	1
Laundry and Dry Cleaning	1
Repairs	1
Rentals	2
Transient Lodging	2
Transportation (public transportation exempt)	2
Restaurant Meals	2
Restaurant Meals (under $1 exempt)	3
Photography	3
Printing	3
Publishing	3
Advertising	3
Contracting	5
All Professional Services	9
Professional Services (medical exempt)	10

States With No General Sales Tax

Those states without a general sales tax have been assigned points on the assumption that they have the lowest tax rate, (10 points), necessities are exempt, (food, medicine, and clothing exempt, 7 points) and that they fail to tax services through the tax (0 points). As a result they were ranked 13th.

TABLE 5 summarizes state application of sales taxes.

CHAPTER III

THE PERSONAL INCOME TAX

Forty-one states and the District of Columbia use a broad-based tax on personal income to raise revenues. Over $25 billion was raised by this tax in 1977 --- 25 percent of all state tax revenue.

The personal income tax has the capability of being the fairest means available to states for apportioning the tax burden among individuals. Rates can be set according to each person's financial ability to pay taxes --- increasing with higher incomes and going to zero for people with earnings below the poverty level. On the other hand, the income tax loses much of its advantage if very low incomes are taxed or if moderate earners shoulder a disproportionate share of the tax burden.

Nine states have no broad-based income tax. Three of these states --- Connecticut, New Hampshire, and Tennessee --- have a narrow based personal income tax that only taxes unearned income. In none of the three does the revenue obtained from the narrow based tax exceed four percent of total tax revenue. Since the income taxed is from intangible property, the personal income tax for these three states is evaluated in the Chapter on property taxes. The other six states --- Florida, Nevada, South Dakota, Texas, Washington and Wyoming --- have no personal income tax at all. Because these nine states are not using the taxing method with the potential to be most equitable, they were ranked last in this Chapter --- tied for 43rd place.

To evaluate the personal income tax, the degree of the tax burden at various income levels was considered. This study examined the following characteristics:

- Whether the effective rate of taxation is progressive;

- How households under the poverty level are taxed;
- Reliance on the personal income tax

I. Tax Burden - The Effective Rate

The effective rate of a personal income tax is the actual percentage of personal income paid in taxes. The effective rate does not appear in tax tables or forms and is almost always lower than the announced or nominal tax rate. For example, the nominal tax rate for $10,000 of personal income in a state may be 5 percent. But, once the allowed deductions, exemptions, and credits are applied, the actual percentage of income paid for the personal income tax is much lower, perhaps only 1.8 percent. This is the effective rate. Effective rates rather than nominal rates were used in this study to evaluate the personal income tax.

II. Apportioning the Burden

A progressive income tax structure is one in which the effective rate increases as income increases so that those most able to pay are taxed at a higher rate. In addition, a progressive personal income tax compensates for the regressive nature of other taxes such as sales and property taxes. The more progressive the effective rate of income taxation, the more points were awarded the state.

A. Percentage Increase in Effective Rate

In this study the increase in the rate has been measured as the percentage of increase of the effective rate per $1,000 increase in income. For example, if the effective rate of taxation is 1 percent at $10,000 and 1.5 percent at $15,000 the increase of the effective rate in this range is 50 percent. Since this increase occurs over a $5,000 increase in income the percentage increase per $1,000 is 10 percent (50 percent divided by 5). Percentages are used instead of the actual increase in the effective rate so that states with lower effective rates overall would not be penalized for small increases

in the effective rate between income levels.

The greater the percentage increase in tax rates over an income range, the more progressive the tax is in that range. Points have been allocated accordingly. Because an individual's ability to pay taxes increases more rapidly at higher income levels, states with large percentage increases in tax rates at the upper income levels were awarded more points than states with high increases at the lower income levels. (FIGURE 4).

B. Treatment of Low-Income Individuals

Persons living below the poverty line should not pay personal income taxes, since they have, by definition, insufficient earnings to maintain a minimally adequate standard of living.

The poverty level for 1977 --- the latest year for which an analysis of tax burdens is available --- was $6,191 for a family of four. This study looks at how the various state income tax systems treat four-person families with incomes at $5,000, the closest income level to the poverty level for which effective rates are available.

Seventeen states tax low income households below the poverty level. These states have had points subtracted. (FIGURE 4).

Many states provide income tax credits which can reduce or eliminate taxes. In some states, these credits are refundable when --- as usually is the case for low income people --- the amount of the credit exceeds the taxes otherwise due. These refundable credits --- which are held to compensate for the regressivity of other state taxes (like sales and property taxes)--- lead to the most progressive treatment of low-income families.

States which provide refundable credits to low income families received additional points. When a state provides a refund and there is no tax due the effective rate for that particular taxpayer is negative. As the size and number of refundable credits increase the negative rate increases as does the progressivity of the tax. States with the highest negative effective rates for a family of four at the poverty line received the highest points. (FIGURE 4).

FIGURE 4

Ratings for Effective Rates and Refunds at the Poverty Line

	Points
Tax on income below poverty line	-6
Refunds below poverty line	
Effective Rate:	
-.1 to -2.0	6
-2.1 to -3.9	10
-4.0 to -5.9	14
-6.0 to -7.9	18

Ratings of Percentage Increases in the Effective Rate of Income Taxation per $1,000 Increase in Income Between $10,000 and $50,000

$10,000-$15,000		$15,000-$20,000	
Percent	Points	Percent	Points
-9-0	0	0	0
01-09	1	1-4.9	2
10-19	2	5-9.9	4
20-29	3	10-14.9	6
30-39	4	15-19.9	8
40-49	5	20-24.9	10
50+	6	25+	12

(FIGURE 4 continued...)

FIGURE 4 (continued...)

$20,000-$25,000		$25,000-$50,000	
Percent	Points	Percent	Points
0	0	0	0
1-2.9	3	.1-.9	6
3-4.9	6	1-1.9	12
5-6.9	9	2-2.9	18
7-8.9	12	3-3.9	24
9-10.9	15	4-4.9	30
11+	18	5+	36

How the states apportion the burden is shown in TABLE 6.

III. Reliance on the Personal Income Tax

The personal income tax has the capacity to be the most progressive of the major taxes studied. The more a state relies on the personal income tax as a major source of revenue the lesser the reliance need be on other more regressive taxes such as the sales and property tax and the greater the potential to produce a more equitable tax system. Reliance on the personal income tax was measured as the amount of revenues provided from a state income tax as a percentage of overall state and local revenues. The percentage has been converted into points. TABLE 7 details the extent of each state's reliance on the personal income tax.

TABLE 8 summarizes the states' overall use of the personal income tax.

CHAPTER IV

TAXATION OF BUSINESS

Like individuals, corporations are generally subject to local property taxes and state sales taxes.* Most states also have a tax on corporate income. This Chapter evaluates the level and effectiveness of the various state corporate income taxes and also looks at the extent to which the different states use special income, property, and sales tax breaks in attempts to lure businesses to locate within their borders. The characteristics reviewed are:

- Whether a state has a significant tax on corporate income;
- How a state determines the amount of income of multistate and multinational corporations properly subject to income tax by the state; and
- The extent to which a state grants special tax "incentives" to businesses.

Corporate Income Taxes

Corporations are treated as entities entirely separate from their owners for most purposes, including taxation. This means that shareholders can put off paying income taxes on corporate earnings until they receive dividends or sell their stock --- and often the ultimate individual tax rates are sharply reduced from the rates applicable to other income. Especially because shareholders tend to be upper-income people, the corporate income tax is a crucial factor in reducing the tax shelter potential of incorporating --- an essential element of a fair state tax system.

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* Corporate purchases are often exempt from sales taxes in cases where the goods involved are to be resold, since the sales tax is intended to apply only to the final user of a product.

Although forty-five states and the District of Columbia have general corporate income taxes, in many of these states the tax rate is too low to succeed in placing anything close to a fair share of the tax burden on corporate earnings. Only the 32 states (and the District of Columbia) with tax rates of at least 6 percent on corporate earnings in excess of $25,000 --- the mean rate for all states --- have been awarded points in this study.* The results are shown in TABLE 9.

FIGURE 5

Ratings for the Corporate Income Tax

	Points
States with corporate income tax rates of at least 6 percent on income over $25,000	10

Measuring the Tax Base of Multistate and Multinational Corporations

Corporations which do business in more than one state or country often try to structure their internal bookkeeping to attribute as large a share of the corporate income as possible to the jurisdiction(s) with the lowest taxes. Because these corporations are often composed of many legally separate entities, each registered in different states and countries, they are able to have their subsidiaries in high tax jurisdictions overcharge their subsidiaries in low tax jurisdictions. This practice lowers profits in high tax jurisdictions and lowers the amount of tax that the overall business pays. For a number of years oil companies in Alaska were particularly adept at using this method. They reported no taxable income to the state while actually earning millions.

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* The rates reviewed in this section are nominal rates and not the effective rates. The effective rate is usually lower than the nominal rate, particularly in those states that allow the deduction for Federal

The IRS attempts to make intracompany pricing policies honest by comparing suspect deals between affiliated corporations to similar transactions between unrelated companies.

In theory this "arm's length" approach --- also used by 18 states --- should lead to proper allocations of corporate income, but in practice even the Treasury Department admits that the standard is difficult to administer and results in substantial loss of U.S. tax revenues.

Lacking the enormous resources of the Internal Revenue Service, the states are even less able to use the arm's length method effectively. This has led a number of states to adopt simpler approaches, under which the earnings of a corporation and its affiliates are apportioned among various tax jurisdictions by a formula based on the percentage of sales, property, and wages paid in each. Some states apply their allocation formulas only to single, multistate corporations. Other consolidate the earnings of all related companies in the same line of business --- even though technically they may be separate corporations. This latter approach --- called the "unitary method" --- can be applied solely to domestic affiliates or to all related companies, including foreign ones.

The unitary approach --- which, interestingly enough, is also used as a guide by many IRS field agents --- is the best means available to the states for fairly apportioning corporate income.

States which apply the unitary method to the worldwide income of affiliated corporations and enforce its application received the most points. States which use the unitary approach only domestically or which apply their allocation formulas only to single corporations doing multistate business received fewer points. States that rely exclusively on the arm's length

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income taxes paid. Deduction of income taxes was treated as a "tax incentive". (FIGURE 7).

standard were not awarded any points. The results are shown in TABLE 10.

FIGURE 6

Ratings for Measuring the Tax Base of Multistate and Multinational Corporations

	Points
Arm's Length Method	0
Formula Approach - Domestic	5
Unitary Method - Worldwide	10

Tax Incentives

Included in many state tax systems are a variety of special provisions for reducing business taxes. Ranging from property tax abatements to artificial income tax write-offs, these tax subsidies are intended to encourage certain kinds of business activities and/or to attract companies to locate within a state.

The major criticism of these "incentives" is that they allow corporations to pit one state against another in providing business tax windfalls while most studies have shown that the tax subsidies have little or no actual effect in increasing production or employment or in influencing business location decisions.* In addition, tax subsidies to business unfairly shift the tax burden to individuals. For these reasons, points are subtracted from a state's score in this Chapter for providing corporate tax subsidies.

Ten of the major types of tax incentives to businesses are listed below. For each one offered by a particular state a point was deducted. If a state does not utilize the tax to which a subsidy relates, a point was deducted nonetheless, since the total absence of a particular tax is functionally

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* See Bennett Harrison and Sandra Kanter, "The Great State Robbery", Working Papers, Spring, 1976.

equivalent to establishing the tax and then forgiving it as an "incentive".

The results appear in TABLE 11.

FIGURE 7

Ratings for Tax Incentives*

	Points
Corporate income tax exemptions (for state, federal, or both)	-1
Excise tax exemption	-1
Tax exemption or moratorium on land, or capital improvements	-1
Tax exemption or moratorium on equipment, machinery	-1
Tax exemption on manufacturer's inventory	-1
Sales/use tax exemptions on new equipment	-1
Tax exemption on raw materials used in manufacturing	-1
Tax credit for specified state products	-1
Tax exemption to encourage research and development	-1
Accelerated depreciation of industrial equipment	-1

TABLE 13 summarizes state application of business taxes.

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* This list is not exhaustive. There are other significant incentives which were not evaluated because adequate data were not available. For example, specifically weighting the apportionment of income formula results in a tax break for businesses registered in the taxing state. Because states usually use a three factor formula (property, payroll, and sales) to apportion income, double weighting one factor such as sales will favor an in-state company that sells most of its products out of state. Among the states that manipulate their apportionment formulas are: Iowa, West Virginia, Missouri, Colorado, Minnesota, Pennsylvania, New York, Massachusetts, and Florida.

CHAPTER V

PROPERTY TAXES

Although property taxes are primarily the domain of local governments, states are, or can be involved in regulating local practices to improve uniformity and fairness, in establishing what kinds of property may be taxed, and in providing relief for those who cannot afford to pay property taxes. This study evaluates state property tax features in three general areas:

- Fairness and uniformity of appraisals and assessments;
- Taxation of intangible property; and
- Property tax relief programs.

I. Assessment of Property

In order for property taxation to be fair, similar properties of the same value must be assessed alike. If not, those who are underassessed profit with lower taxes at the expense of those who have been overassessed.

Three categories of assessment criteria were evaluated:

- Whether the state requires full value assessment and the degree of conformity between assessments and the state standard;
- The kinds of state mandated assessment methods and administration standards; and
- The uniformity of assessments within taxing districts (intradistrict coefficient of dispersion).

A. Full Value Assessment Standard and Conformity to the State Standard

The state-mandated assessment standard is the percentage of actual value which local assessors are required to use in assessing property. Standards range from a low of 5 percent of value for certain kinds of property in Minnesota to 100 percent --- full value --- in a

number of states.

Full value assessment is generally preferable to percentage approaches. It tends to lead to greater assessment uniformity and makes it easier for taxpayers to compare assessments and uncover inequalities.* Theoretically, many of the advantages of full value assessment can be obtained under percentage systems if the full market value appraisal is disclosed to property owners on the assessment form, but this is typically not done. Those states requiring full value assessments were awarded points in this section.

Whatever the state assessment standard, ideally all assessments should conform to it. The Bureau of the Census has compiled statistics which show for each state the overall ratio of assessments to sales prices for residential properties. To rate the states, the average state ratio is compared to the state mandated assessment standard. The closer this ratio is to the legal standard, the more accurate are the assessments. For example, if the required state assessment standard is 80 percent of the sales price of market value and the average assessment/sales price ratio for the state is 40 percent, the actual assessment in the state on the average is 50 percent of the state standard.

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* This should not be interpreted as a criticism of all types of classification. Classification is a system which allows different types of property to be taxed at different levels. In some situations, classification may be necessary to avoid large shifts of tax burdens and property values when localities are forced by court order to make de facto classification systems conform to legal full value standards. In Massachusetts, for instance, the assessment system had overassessed old business property and underassessed homes despite a full value state standard. If all property had been reassessed at a uniform level, as the state supreme court had ordered, there would have been a $265 million shift of taxes from business to residential property. To avoid this development, classification was adopted in 1978.

If classification is necessary, a system that applies different tax

As the level of conformity with the state standard increases, the number of points awarded increased. Some states have set no state assessment standard. For these states, the optimal 100 percent standard was assumed. (FIGURE 8).

The results appear in TABLE 13.

FIGURE 8

Rating the Conformity of the Assessment/Sales Price Ratio With the State-Mandated Standard and Full-Value Standards

Standard	Points
Full Value	5
Percentage of Compliance	
91-100	10
81-90	8
71-80	6
61-70	4
51-60	2
50 and below	0

B. Assessment Administration

States also affect the quality and fairness of assessments through their policies on assessment administration.

1. Updating appraisals

In order to assure a fair sharing of the property tax burden, properties should be reappraised regularly and frequently. Not only is this necessary to assure that equally situated taxpayers are treated equally, but, since market values tend to increase more rapidly in higher-income neighborhoods, reassessment lags can result in taxpayer-financed subsidies to the wealthy. In addition, when reappraisals finally do occur,

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rates to different classes of property while assessing all property at full value is preferable to assessing at different levels.

dramatic changes in relative assessments can work sudden hardships on adversely affected property owners. Finally, frequent, periodic reappraisals help keep assessments closer to state mandated standards.*

States that require annual or biannual assessments were awarded points while those that don't received none. (FIGURE 9).

2. Requiring the Preparation of Assessment/Sales Price Ratios

Assessment/sales price ratios are tools by which taxpayers can determine the accuracy of their assessments and the performance of assessors. States that prepare or require the preparation of such indices were awarded points. (FIGURE 9).

3. Training and Educational Requirements for Assessors

States that fund training programs for assessors were awarded points as were states that require all assessors to meet certain educational requirements and achieve certification. States that offer financial incentives to local assessors who undergo additional training were also awarded points for these efforts. (FIGURE 9).

FIGURE 9

Ratings for Assessment Administration

Policy	Points
Annual or biannual assessments	5
Assessment/sales price ratio preparation required	5
State funded training	5
Certification required	5
Financial incentives	2

* Accurate and updated assessments usually mean higher assessments. So long as the rate is adjusted, however, higher assessments need not mean higher tax bills.

The results of this evaluation are presented in TABLE 14.

C. Intradistrict Uniformity of Assessments - Coefficient of Dispersion

The major goal of the good assessment and administration practices reviewed above is to achieve equal treatment for all property owners. In other words, whatever the assessment level happens to be in practice, ideally all property should be assessed at the same percentage of value. A statistical measure of the average deviation from the median assessment ratio within a taxing district is called the "intradistrict coefficient of dispersion". The lower this number, the more uniform the assessments in a district.

For example, a dispersion coefficient of 25 percent means that the average property is assessed either 25 percent too high or 25 percent too low compared to the median assessment percentage in a district. Most experts consider a dispersion coefficient of up to 15 percent acceptable, although many analysts believe a much lower figure is easily attainable, at least for residential property.

Only three states, Connecticut, Maryland, and Massachusetts have average dispersion coefficients of less than 15 percent.

The ratings in this subsection show how well the local districts in a state are actually performing in achieving property tax fairness. Success or failure here often reflects measures taken by the state governments to improve property tax administration, but in some cases local officials appear to be obtaining good results without state support. (FIGURE 10).

The results are shown in TABLE 15.

FIGURE 10

Rating the Uniformity Within Jurisdictions - The Median Intradistrict Coefficient of Dispersion

Percentage	Points
15 or less	10
16 - 20	8
21 - 25	6
26 - 30	4
31 - 35	2
36 +	0

II. Taxation of Intangible Property

In most states, the property tax applies almost exclusively to real estate. Yet most of the wealth of the richest portion of the population is held in the form of "paper" assets, such as stocks and bonds. By failing to tax this intangible wealth, states are forced to rely too heavily on real property taxes. In fact, if intangible wealth were taxed at only one-fifth the rate applied to real estate, enough revenues would be generated to reduce real property taxes by 30 percent.

In the past, the major objection to taxing intangible property was the administrative difficulty of doing so. In recent years, however, tax theorists have devised practical methods for dealing, at least, with publicly traded securities. These should be part of the tax base in a fair property tax system.

Currently 25 states and the District of Columbia tax intangibles to some extent. Of these only seven (Florida, Georgia, Indiana, Kentucky, North Carolina, Pennsylvania and South Dakota) have a comprehensive assessment and enforcement program.* These seven states were awarded points for these efforts. (FIGURE 11 and TABLE 16).

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* Bruce L. Jaffe, "State Taxation of Intangibles: The Problem of Evasion", Public Finance Quarterly, Vol. 6, No. 4, October, 1978.

FIGURE 11

	Points
States with comprehensive intangible property taxes	25

III. Property Tax Relief

Most states have taken at least some steps to deal with two major defects in the property tax which go beyond administration and base-defining problems. The first of these flaws is that the property tax --- as a tax on wealth --- is usually a flat rate with no built-in progressivity. The second involves the problems which low-income property owners can have in paying the tax.

A flat rate tax on property can easily be made somewhat progressive by providing an exemption for a certain amount of wealth. For example, if the property tax rate is 2 percent, a $5,000 exemption makes the effective rate 0 percent on $5,000 worth of property, 1 percent on $10,000, 1.5 percent on $20,000, 1.75 percent on $40,000 and so forth. Alternatively, an income tax credit for the first $100 paid in property taxes would have the equivalent effect.

The progressivity of the property tax can be further enhanced if exemptions or credits are granted as part of a program to deal with the problems of low-income property owners. Under such an approach, the exemptions or credits are phased-out as the taxpayer's income increases.

Phased-out property tax exemptions by their nature have to be limited to homeowners, although it is generally conceded that renters also bear the burden of property taxes. For this reason, the method of property tax relief preferred in this study is the phased-out credit --- usually called a "circuit breaker". As the name implies, circuit breakers typically provide tax relief when property taxes exceed a certain percentage of a taxpayer's

income. The threshold percentage increases with income, effectively limiting relief to those most in need.

The various kinds of property tax relief provisions can be targeted to narrow or broad ranges of taxpayers. The most typical approach is to limit relief to the elderly, and more often than not only to homeowners. Although retired people may tend to have the greatest need for help, programs available to all low-income homeowners and renters add the most to property tax fairness.

In this section, the most points were awarded to broad-based circuit breaker programs and the least to narrowly focused flat credits or exemptions. Income-based exemption programs which are permitted, but not required, to be implemented by local governments are rated lower than mandatory programs. Only the types of relief and not their level of funding or the amount of benefits provided were evaluated. (FIGURE 12).

TABLE 17 presents the results of rating property tax relief programs.

FIGURE 12

Ratings for Relief Programs for Residential Property Taxes

Program	Points
Broad based - no income targeting	0
Optional - income targeted	5
State mandated/funded - income targeted	10
Circuit breaker - income targeted*	15
Beneficiaries	
Elderly and/or disabled renters	+2
Elderly and/or disabled homeowners	+2
All renters	+8
All Homeowners	+8

TABLE 18 summarizes the application of the property tax by states.

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* In evaluating individual circuit-breaker programs further distinctions can be made on the basis of the formula used. This has not been done in this study.

CHAPTER VI

GENERAL TAX ADMINISTRATION

Certain legislative or executive functions do not fall within a specific tax area but are general administrative features of a state's tax system with an important impact on overall equity.

The General Tax Administration categories reviewed in this study were:

- Administrative and legislative policy;
- Interstate cooperation; and
- Payments in lieu of taxes to localities.

I. Administrative and Legislative Policy

A. Collection and Enforcement Ratios

Many states could substantially increase revenues without additional taxes or higher tax rates. The use of more efficient and effective collection and enforcement techniques can result in millions of dollars in additional revenues. In North Dakota, for example, recently instituted collection procedures have found hundreds of businesses not listed on the tax rolls. Efforts to identify these businesses have brought millions of dollars in revenue due the state into the state treasury, including back taxes of over $300,000 from one firm alone.

One way states can properly use the limited resources available for tax collection is to perpare collection and enforcement ratios. These ratios compare how much is spent on enforcing tax laws and collecting revenues with the amount of revenues returned. Thirty-two states currently prepare enforcement expenditure ratios that allow them to measure efficiency and more effectively target collection activities.

Of all the states that do prepare enforcement expenditure ratios only two, Montana and North Carolina, do not make these figures public. States were awarded points for preparation of the ratio and for making the ratio public. (FIGURE 13).

B. Legislative Policy

As noted earlier, tax deductions, exemptions, abatements, and credits cost billions of dollars in lost revenue each year. In almost every state, once these loopholes have become part of the tax code they remain there and are rarely, if ever, reviewed to determine their cost in lost revenues or how well they are accomplishing the purposes for which they were enacted.

Seven states make some effort on a regular basis to estimate the cost of these tax breaks in terms of lost revenues. In California, Maryland, and Wisconsin an annual expenditures budget is required by law, showing the estimated cost of each deduction, credit exemption, and abatement currently in the tax code for the upcoming year. In Maine, a Sunset law requires regular legislative review of the state tax code, including all its loopholes. In the other four states voluntary reports estimate tax expenditures. The remaining 43 states and the District of Columbia have no regular means for reviewing and controlling the tax breaks that allow the annual loss of billions of dollars.

States with Sunset laws covering these breaks or states that require by statute annual cost estimates received the most points. Those states that voluntarily provide the information on a regular basis also received points. (FIGURE 13).

The ratings of the states for administrative and legislative policy are presented in TABLE 19.

FIGURE 13

Ratings for Administrative and Legislative Policy

Collection and enforcement ratios	Points
Ratio prepared	10
Ratio made public	5
Program to regularly review existing deductions, exemptions, credits, and abatements in the tax code	
Voluntary annual report	10
State-required expenditure budget	15
Sunset law	20

II. Interstate Cooperation

As interstate corporate ownership and business activity increase it becomes essential for states to cooperate with each other so that accurate assessments and taxation can occur. Probably the most effective step a state can take is joining the Multistate Tax Commission, which now has 19 states as members. A major function of the Commission is to audit multistate and multinational corporations in behalf of all the member states. This prevents corporations from presenting different figures to different states, reduces the cost and duplication of audits, and results in higher revenues. By making sure that the largest multistate and multinational corporations are paying their fair share of taxes the burden is eased on generally smaller single-state businesses and on other taxpayers who must make up for revenues lost through corporate tax evasion. In addition, the joint audit program offers corporate taxpayers the convenience of dealing with a single audit rather than 19 separate audits.

States become members of the Commission by adopting a Compact that includes a uniform act for dividing corporate income among states in which a corporation operates. This act, called the Uniform Division of Income for

Tax Purposes Act, is an important step in tracking "disappearing" income, sales, and property. The 19 states that are members of the Commission were awarded points. (FIGURE 14 and TABLE 20).

FIGURE 14

	Points
Multistate Tax Commission membership	25

III. Payments in Lieu of Taxes to Localities

Almost one-third of all real property in the United States is exempt from the property tax. This property, owned by states, the Federal government, churches, universities, hospitals, and other exempt groups, costs the localities in which they are located billions of dollars in lost property tax revenues. (Business accounts for a large percentage of these deductions in some states. This was discussed in Chapter 4.) In addition, even though the owners of these properties pay no taxes, they receive services at great costs to the localities. These exempt properties increase the burden of the property tax on the remaining tax base, primarly residential property.

To compensate for some of these lost revenues, several states currently reimburse localities by making payments in lieu of taxes for state-owned property. Payments range from comprehensive programs for all state-owned land and buildings, as in New Jersey, Connecticut, and Massachusetts, to payments only for specific types of state-owned property, such as public housing in Tennessee and forest lands in West Virginia. Some states make payments based on tax equivalency while others use as a basis receipts from government-owned land or a flat per-acre amount.

To rank the states two criteria were considered:

- The extent of the coverage. That is, for which types of state-owned property does the state compensate? and
- The basis for computing compensation such as tax equivalency, receipt sharing, or flat per-acre amounts.

The broadest coverage, including all state-owned land and buildings, is most equitable. Tax equivalency as a basis for payment is preferred over receipt sharing or flat per-acre amounts because it most closely approximates the amount of revenue lost to the locality.

As shown in FIGURE 15, those state programs that cover the broadest range of state property (including both land and buildings) and compensate on the basis of tax equivalency were grouped into the category "comprehensive" and awarded 15 points. The remaining state programs were grouped into the categories "moderate" (10 points) and "limited" (5 points) depending on their relative breadth of coverage.

FIGURE 15

Ratings of state programs of payment in lieu of taxes programs

	Points
Limited	5
Moderate	10
Comprehensive	15

The rankings of states for payments to localities in lieu of taxes appear in TABLE 21.

TABLE 22 summarizes rankings of state General Tax Administration systems.

TABLE 1

SUMMARY OF STATE RANKINGS BY TAX AREAS

State	Sales Tax	Personal Income Tax	Taxation of Business	Property Taxes	General Tax Administration	Average Rank	Overall Rank
Alabama	47	40	51	48	35	44.2	51
Alaska	13**	8	19	25	20	17.0	10
Arizona	7	38	11	21	35	22.4	22
Arkansas	21	19	24	40	13	23.4	27
California	44	3	2	8	1	11.6	4
Colorado	9	21	19	28	6	16.6	8
Connecticut	51	43	11	32	20	31.4	35
Delaware	13**	4	31	43	46	27.4	29
D.C.	28	15	11	17	32	20.6	17
Florida	25	43	38	5	35	29.2	33
Georgia	31	20	11	2	27	18.2	13
Hawaii	3	10	28	22	18	16.2	7
Idaho	4	11	3	45	17	16.0	6
Illinois	49	37	40	14	27	33.4	42
Indiana	29	42	38	27	35	34.2	44
Iowa	10	26	11	7	46	20.0	16
Kansas	27	23	40	34	20	28.8	31
Kentucky	42	34	50	9	35	34.0	43
Louisiana	8	41	40	51	35	35.0	46
Maine	36	5	11	11	20	16.6	8
Maryland	34	29	35	5	11	22.8	23
Massachusetts	4	16	8	40	20	17.6	11
Michigan	29	7	6*	4	2	9.6	2*
Minnesota	12	2	19	15	18	13.2	5
Mississippi	48	27	40	46	46	41.4	50
Missouri	39	33	35	35	20	32.4	39
Montana	13**	36	4	50	5	21.6	20
Nebraska	4	13	31	29	13	18.0	12
Nevada	32	43	40	25	13	30.6	34
New Hampshire	13**	43	26	15	43	28.0	30
New Jersey	20	35	28	20	13	23.2	26
New Mexico	1	9	45	33	20	21.6	20
New York	24	6	26	18	32	21.2	19
North Carolina	32	17	6	9	34	19.6	15
North Dakota	19	28	8	43	6	20.8	18
Ohio	26	31	8	23	43	26.2	28
Oklahoma	11	18	45	39	46	31.8	37
Oregon	13**	14	4	1	6	7.6	1
Pennsylvania	40	39	28	23	27	31.4	35
Rhode Island	43	21	31	31	46	34.4	45
South Carolina	45	24	31	36	27	32.6	40
South Dakota	22	43	35	12	2	22.8	23
Tennessee	50	43	18	42	31	36.8	48
Texas	38	43	47	46	6	36.0	47
Utah	35	32	1	37	10	23.0	25
Vermont	2	12	24	12	43	18.6	14
Virginia	36	25	19	30	35	29.0	32
Washington	46	43	49	19	2	31.8	37
West Virginia	41	30	11	38	46	33.2	41
Wisconsin	18	1	19	3	11	10.4	3
Wyoming	23	43	47	49	35	39.4	49

* These rankings do not reflect the impact of the single business tax implemented in Michigan in 1977. Initial studies indicate the impact of the new tax would considerably lower Michigan's ranking.

** These states have no general sales tax. See text for explanation of points and ranking.

TABLE 2

SALES TAX RATES

State	2%	3%	4%	5%	6%	7%	Points
Alabama	-	-	x	-	-	-	6
Arizona	-	-	x	-	-	-	6
Arkansas	-	x	-	-	-	-	8
California	-	-	-	(4.75)	-	-	4
Colorado	-	x	-	-	-	-	8
Connecticut	-	-	-	-	-	x	0
District of Columbia	-	-	-	x	-	-	4
Florida	-	-	x	-	-	-	6
Georgia	-	x	-	-	-	-	8
Hawaii	-	-	x	-	-	-	6
Idaho	-	x	-	-	-	-	8
Illinois	-	-	x	-	-	-	6
Indiana	-	-	x	-	-	-	6
Iowa	-	x	-	-	-	-	8
Kansas	-	x	-	-	-	-	8
Kentucky	-	-	-	x	-	-	4
Louisiana	-	x	-	-	-	-	8
Maine	-	-	-	x	-	-	4
Maryland	-	-	-	x	-	-	4
Massachusetts	-	-	-	x	-	-	4
Michigan	-	-	x	-	-	-	6
Minnesota	-	-	x	-	-	-	6
Mississippi	-	-	-	x	-	-	4
Missouri	-	(3.125)	-	-	-	-	8
Nebraska	-	x	-	-	-	-	8
Nevada	-	x	-	-	-	-	8
New Jersey	-	-	-	x	-	-	4
New Mexico	-	-	x	-	-	-	6
New York	-	-	x	-	-	-	6
North Carolina	-	x	-	-	-	-	8
North Dakota	-	x	-	-	-	-	8
Ohio	-	-	x	-	-	-	6
Oklahoma	x	-	-	-	-	-	10
Pennsylvania	-	-	-	-	x	-	2
Rhode Island	-	-	-	-	x	-	2
South Carolina	-	-	x	-	-	-	6
South Dakota	-	-	x	-	-	-	6
Tennessee	-	-	-	(4.5)	-	-	4
Texas	-	-	x	-	-	-	6
Utah	-	-	x	-	-	-	6
Vermont	-	x	-	-	-	-	8
Virginia	-	x	-	-	-	-	8
Washington	-	-	-	(4.6)	-	-	4
West Virginia	-	x	-	-	-	-	8
Wisconsin	-	-	x	-	-	-	6
Wyoming	-	x	-	-	-	-	8

SOURCE: State Tax Handbook, Commerce Clearing House (Chicago, October, 1978)

TABLE 3

SALES TAX EXEMPTIONS AND CREDITS

State	Food Exempt	Clothing Exempt	Medicine Exempt	Flat Credit	Graduated Credit	Points
Alabama	-	-	-	-	-	0
Arizona	-	-	x	-	-	1
Arkansas	-	-	-	-	-	0
California	x	-	x	-	-	5
Colorado	-	-	x	x	-	8
Connecticut	x	(1)	x	-	-	6
District of Columbia	x	-	x	-	-	5
Florida	x	-	x	-	-	5
Georgia	-	-	-	-	-	0
Hawaii	-	-	-	-	x (2)	10
Idaho	-	-	x	x	-	8
Illinois	-	-	-	-	-	0
Indiana	x	-	x	-	-	5
Iowa	x	-	x	-	-	5
Kansas	-	-	x	-	-	1
Kentucky	x	-	x	-	-	5
Louisiana	x	-	x	-	-	5
Maine	x	-	x	-	-	5
Maryland	x	-	x	-	-	5
Massachusetts	x	x	x	x	-	14
Michigan	x	-	x	-	-	5
Minnesota	x	x	x	-	-	7
Mississippi	-	-	-	-	-	0
Missouri	-	-	-	-	-	0
Nebraska	-	-	x	x	-	8
Nevada	-	-	x	-	-	1
New Jersey	x	x	x	-	-	7
New Mexico	-	-	-	-	x (2)	10
New York	x	-	x	-	-	5
North Carolina	-	-	x	-	-	1
North Dakota	x	-	x	-	-	5
Ohio	x	-	x	-	-	5
Oklahoma	-	-	-	-	-	0
Pennsylvania	x	x	x	-	-	7
Rhode Island	x	x	x	-	-	7
South Carolina	-	-	x	-	-	1
South Dakota	-	-	x	-	-	1
Tennessee	-	-	x	-	-	1
Texas	x	-	x	-	-	5
Utah	-	-	x	-	-	1
Vermont	x	-	x	-	x	15
Virginia	-	-	x	-	-	1
Washington	x	-	x	-	-	5
West Virginia	-	-	x	-	-	1
Wisconsin	x	-	x	-	-	5
Wyoming	-	-	x	-	-	1

(1) Only children's clothing exempt
(2) General credit covering other state taxes as well

SOURCE: Significant Features in Fiscal Federalism (1976-77)
Advisory Commission on Intergovernmental Relations

State Tax Reporter, Commerce Clearing House, Vol. 37, No. 48

The Book of the States (1978-79), Council of State Governments
(Lexington, Ky., 1978)

TABLE 4

SALES TAX ON SERVICES

State	Admissions	Advertising	Contracting	Laundry & Dry Cleaning	Photography	Printing	All Professions	Professions (medical exempt)	Publishing	Rentals	Repairs	Restaurant Meals	Restaurant Meals (Under $1 exempt)	Transient Lodging	Transportation (public trans. exempt)	POINTS
Alabama	x	-	-	-	-	-	-	-	-	x	-	x	-	x	-	7
Arizona	x	x	x	-	-	x	-	-	x	x	-	x	-	x	x	23
Arkansas	x	-	-	-	x	x	-	-	-	-	x	x	-	x	x	14
California	-	-	-	-	-	x	-	-	-	x	-	x	-	-	-	7
Colorado	-	-	-	-	-	-	-	-	-	x	-	x	-	x	-	6
Connecticut	-	-	-	-	-	-	-	-	-	x	-	-	x	x	-	7
D.C.	x	-	-	-	-	x	-	-	-	x	x	x	-	x	-	11
Florida	x	-	-	-	-	-	-	-	-	x	x	x	-	x	-	8
Georgia	x	-	-	-	-	-	-	-	-	x	-	x	-	x	x	9
Hawaii	x	-	-	-	-	-	x	-	-	-	-	x	-	x	-	14
Idaho	x	-	-	-	-	x	-	-	-	x	-	x	-	x	-	10
Illinois	-	-	-	-	-	-	-	-	-	-	x	x	-	x	-	5
Indiana	-	-	-	-	-	-	-	-	-	x	-	x	-	x	-	6
Iowa	x	-	-	x	-	x	-	-	-	-	x	x	-	x	-	10
Kansas	x	-	-	x	-	-	-	-	-	x	-	x	-	x	-	8
Kentucky	x	-	-	-	x	-	-	-	-	-	-	x	-	x	-	8
Louisiana	x	-	-	x	-	x	-	-	-	x	x	x	-	x	-	12
Maine	-	-	-	-	-	x	-	-	-	x	-	x	-	x	-	9
Maryland	-	-	-	-	-	x	-	-	-	x	-	-	x	x	-	10
Massachusetts	-	-	-	-	-	x	-	-	-	x	-	-	x	x	-	10
Michigan	-	-	-	-	-	-	-	-	-	x	-	x	-	x	-	6
Minnesota	x	-	-	-	-	x	-	-	-	x	-	x	-	x	-	10
Mississippi	-	-	-	x	x	-	-	-	-	-	x	x	-	x	x	11
Missouri	x	-	-	-	-	-	-	-	-	x	-	x	-	x	-	7
Nebraska	x	-	-	-	-	x	-	-	-	x	-	x	-	x	-	10
Nevada	-	-	-	-	-	x	-	-	-	x	-	x	-	-	-	7
New Jersey	x	x	-	-	-	x	-	-	-	x	-	x	-	x	-	13
New Mexico*	x	-	-	x	-	x	x	-	-	x	x	x	-	x	x	23
New York	x	-	-	-	-	x	-	-	-	x	-	x	-	x	-	10
North Carolina	-	-	-	x	-	-	-	-	-	x	-	x	-	x	-	7
North Dakota	x	-	-	-	-	-	-	-	-	x	-	x	-	x	-	7
Ohio	-	-	-	-	-	x	-	-	-	-	-	x	-	x	-	7
Oklahoma	x	x	-	-	-	x	-	-	-	-	-	x	-	x	x	13
Pennsylvania	-	-	-	-	-	x	-	-	-	x	x	x	-	x	-	10
Rhode Island	-	-	-	-	-	x	-	-	-	x	-	x	-	x	-	9
South Carolina	-	-	-	x	-	-	-	-	-	x	-	x	-	x	-	7
South Dakota	x	-	-	-	-	-	-	x	-	x	-	x	-	x	-	17
Tennessee	-	-	-	x	-	-	-	-	-	x	x	x	-	x	-	8
Texas	-	-	-	-	-	-	-	-	-	x	-	x	-	-	-	4
Utah	x	-	-	x	-	-	-	-	-	x	x	x	-	x	x	11
Vermont	x	-	-	-	-	x	-	-	-	x	-	x	-	x	-	10
Virginia	-	-	-	-	-	-	-	-	-	x	-	x	-	x	-	6
Washington	x	-	-	-	-	-	-	-	-	-	-	x	-	x	-	5
West Virginia	x	-	-	-	-	-	-	-	-	-	-	x	-	x	-	5
Wisconsin	x	-	-	x	x	-	-	-	-	x	x	x	-	x	-	12
Wyoming	x	-	-	x	-	x	-	-	-	x	x	x	-	x	-	12

* New Mexico taxes professional services through the use of a broad based gross receipts tax rather than a sales tax.

SOURCE: New Mexico Department of Taxation and Revenue

Significant Features of Fiscal Federalism (1976-77)
Advisory Commission on Intergovernmental Relations

State Tax Reporter, Commerce Clearing House (Chicago, 1978)

TABLE 5

SALES TAX - SUMMARY

State	Rates		Exemptions and Credits		Services		All Categories	
State	Points	Index 10=50	Points	Index 15=50	Points	Index 23=50	TOTAL	RANK
Alabama	6	30	0	0	7	15.2	45.2	47
Alaska	10*	50	7*	23.3	0*	0	73.3	13*
Arizona	6	30	1	3.3	23	50.0	83.3	7
Arkansas	8	40	0	0	14	30.4	70.4	21
California	4	20	5	16.7	7	15.2	51.9	44
Colorado	8	40	8	26.7	6	13.0	79.7	9
Connecticut	0	0	6	20.0	7	15.2	35.2	51
Delaware	10*	50	7*	23.3	0*	0	73.3	13*
D.C.	4	20	5	16.7	11	23.9	60.6	28
Florida	6	30	5	16.7	8	17.4	64.1	25
Georgia	8	40	0	0	9	19.6	59.6	31
Hawaii	6	30	10	33.3	14	30.4	93.7	3
Idaho	8	40	8	26.7	10	21.7	88.4	4
Illinois	6	30	0	0	5	10.9	40.9	49
Indiana	6	30	5	16.7	6	13.0	59.7	29
Iowa	8	40	5	16.7	10	21.7	78.4	10
Kansas	8	40	1	3.3	8	17.4	60.7	27
Kentucky	4	20	5	16.7	8	17.4	54.1	42
Louisiana	8	40	5	16.7	12	26.0	82.7	8
Maine	4	20	5	16.7	9	19.6	56.3	36
Maryland	4	20	5	16.7	10	21.7	58.4	34
Massachusetts	4	20	14	46.7	10	21.7	88.4	4
Michigan	6	30	5	16.7	6	13.0	59.7	29
Minnesota	6	30	7	23.3	10	21.7	75.0	12
Mississippi	4	20	0	0	11	23.9	43.9	48
Missouri	8	40	0	0	7	15.2	55.2	39
Montana	10*	50	7*	23.3	0*	0	73.3	13*
Nebraska	8	40	8	26.7	10	21.7	88.4	4
Nevada	8	40	1	3.3	7	15.2	58.5	32
New Hampshire	10*	50	7*	23.3	0*	0	73.3	13*
New Jersey	4	20	7	23.3	13	28.2	71.5	20
New Mexico	6	30	10	33.3	23	50.0	113.3	1
New York	6	30	5	16.7	10	21.7	68.4	24
North Carolina	8	40	1	3.3	7	15.2	58.5	32
North Dakota	8	40	5	16.7	7	15.2	71.9	19
Ohio	6	30	5	16.7	7	15.2	61.9	26
Oklahoma	10	50	0	0	13	28.2	78.2	11
Oregon	10*	50	7*	23.3	0*	0	73.3	13*
Pennsylvania	2	10	7	23.3	10	21.7	55.0	40
Rhode Island	2	10	7	23.3	9	19.6	52.9	43
South Carolina	6	30	1	3.3	7	15.2	48.5	45
South Dakota	6	30	1	3.3	17	36.9	70.2	22
Tennessee	4	20	1	3.3	8	17.4	40.7	50
Texas	6	30	5	16.7	4	8.7	55.4	38
Utah	6	30	1	3.3	11	23.9	57.2	35
Vermont	8	40	15	50.0	10	21.7	111.7	2
Virginia	8	40	1	3.3	6	13.0	56.3	36
Washington	4	20	5	16.7	5	10.9	47.6	46
West Virginia	8	40	1	3.3	5	10.9	54.2	41
Wisconsin	6	30	5	16.7	12	26.0	72.7	18
Wyoming	8	40	1	3.3	12	26.0	69.3	23

* These states have no general sales tax. See text for explanation of points and ranking.

TABLE 6

PERSONAL INCOME TAX - APPORTIONING THE BURDEN

State	Treatment of Low Incomes: Tax on income below poverty level	Treatment of Low Incomes: No tax on income below poverty level	Refunds below poverty level: -.1 to -2.0	Refunds below poverty level: -2.1 to -3.9	Refunds below poverty level: -4.0 to -5.9	Refunds below poverty level: -6.0 to -7.9	Treatment of Low Incomes: SUBTOTAL	Percentage Increase in the Effective Rate per $1,000 Between Income Levels: 10-15,000 $/1,000	10-15,000 Points	15-20,000 $/1,000	15-20,000 Points	20-25,000 $/1,000	20-25,000 Points	25-50,000 $/1,000	25-50,000 Points	SUBTOTAL	TOTAL
Alabama	x	-	-	-	-	-	-6	-2	0	7	4	3	6	.5	6	16	10
Alaska	-	x	-	-	-	-	0	12	2	5	4	5	5	6.0	24	39	39
Arizona	x	-	-	-	-	-	-6	-4	0	9	4	6	9	1.4	12	25	19
Arkansas	-	x	-	-	-	-	0	1	1	7	4	5	9	2.2	18	32	32
California	-	-	x	-	-	-	6	35	4	13	6	8	12	4.9	30	52	58
Colorado	-	-	x	-	-	-	6	-4	0	16	8	6	9	1.5	12	29	35
Connecticut (a)	-	-	-	-	-	-	0	-	-	--	-	-	-	-	-	--	0
Delaware	x	-	-	-	-	-	-6	2	1	9	4	4	6	2.0	18	29	23
D.C.	-	-	x	-	-	-	6	1	1	6	4	5	9	2.0	18	32	38
Florida (b)	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	--	0
Georgia	-	x	-	-	-	-	0	10	2	13	6	7	12	1.9	12	32	32
Hawaii	-	-	-	x	-	-	10	20	3	8	4	4	6	1.6	12	25	35
Idaho	-	-	x	-	-	-	6	16	2	11	6	6	9	1.7	12	29	35
Illinois	x	-	-	-	-	-	-6	4	1	2	2	1	3	.4	6	12	6
Indiana	x	-	-	-	-	-	-6	3	1	1	2	0	0	.2	6	9	3
Iowa	x	-	-	-	-	-	-6	-2	0	3	2	5	9	1.3	12	23	17
Kansas	-	x	-	-	-	-	0	4	1	7	4	5	9	2.0	18	32	32
Kentucky	x	-	-	-	-	-	-6	-4	0	6	4	2	3	.4	6	13	7
Louisiana	-	x	-	-	-	-	0	10	2	0	0	2	3	2.0	18	23	23
Maine	-	x	-	-	-	-	0	15	2	17	8	12	18	5.0	36	64	64
Maryland	x	-	-	-	-	-	-6	-2	0	3	2	3	6	.9	6	14	8
Massahcusetts	-	-	x	-	-	-	6	4	1	3	2	1	3	.6	6	12	18
Michigan	-	-	x	-	-	-	6	-9	0	13	6	2	3	3.4	24	33	39
Minnesota	-	-	-	-	-	x	18	49	5	5	4	3	6	.6	6	21	39
Mississippi	-	x	-	-	-	-	0	15	2	17	8	8	12	2.0	18	40	40
Missouri	-	x	-	-	-	-	0	9	1	12	6	6	9	1.3	12	28	28
Montana	x	-	-	-	-	-	-6	-4	0	7	4	4	6	1.4	12	22	16
Nebraska	-	-	x	-	-	-	6	110	6	5	4	6	9	3.0	24	43	49
Nevada (b)	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	--	0
New Hampshire (a)	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	--	0
New Jersey	-	x	-	-	-	-	0	30	4	1	2	1	3	.9	6	15	15
New Mexico	-	-	-	x	-	-	10	17	2	140	12	15	18	6.0	36	68	78
New York	-	x	-	-	-	-	0	3	1	8	4	7	12	3.7	24	41	41
North Carolina	x	-	-	-	-	-	-6	-1	0	6	4	4	6	1.2	12	22	16
North Dakota	-	x	-	-	-	-	0	8	1	20	10	8	12	1.5	12	35	35
Ohio	x	-	-	-	-	-	-6	12	2	10	6	5	9	2.0	18	35	29
Oklahoma	x	-	-	-	-	-	-6	4	1	16	8	13	18	3.6	24	51	45
Oregon	x	-	-	-	-	-	-6	-1	0	6	4	4	6	2.0	12	22	16
Pennsylvania	-	x	-	-	-	-	0	0	0	0	0	0	0	0	0	0	0
Rhode Island	-	x	-	-	-	-	0	20	3	1	2	5	9	2.8	18	32	32
South Carolina	x	-	-	-	-	-	-6	1	1	11	6	5	9	1.8	12	28	22
South Dakota (b)	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	--	0
Tennessee (a)	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	--	0
Texas (b)	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	--	0
Utah	x	-	-	-	-	-	-6	1	1	8	4	3	6	.7	6	17	11
Vermont	-	-	x	-	-	-	6	22	3	2	2	5	9	2.8	18	32	38
Virginia	x	-	-	-	-	-	-6	3	1	5	4	4	6	1.2	12	23	17
Washington (b)	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	--	0
West Virginia	x	-	-	-	-	-	-6	-1	0	5	4	4	6	2.3	18	28	22
Wisconsin	-	-	-	-	x	-	14	2	1	5	4	4	6	1.2	12	23	37
Wyoming (b)	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	--	0

(a) States with narrow based personal income tax discussed in Intangibles section in the Property Tax area.

(b) States with no personal income tax.

TABLE 7

RELIANCE ON THE PERSONAL INCOME TAX

State	Reliance on Personal Income Tax (Percentage of state and local revenue)	Points
Alabama	12.5	12.5
Alaska	20.4	20.4
Arizona	10.2	10.2
Arkansas	16.3	16.3
California	18.2	18.2
Colorado	14.6	14.6
Connecticut	0	0
Delaware	30.0	30.0
District of Columbia*	16.0	16.0
Florida	0	0
Georgia	15.9	15.9
Hawaii	20.7	20.7
Idaho	20.1	20.1
Illinois	15.6	15.6
Indiana	12.5	12.5
Iowa	19.0	19.0
Kansas	14.9	14.9
Kentucky	17.5	17.5
Louisiana	6.5	6.5
Maine	12.6	12.6
Maryland	19.5	19.5
Massachusetts	23.4	23.4
Michigan	21.8	21.8
Minnesota	25.8	25.8
Mississippi	10.0	10.0
Missouri	13.4	13.4
Montana	17.9	17.9
Nebraska	13.1	13.1
Nevada	0	0
New Hampshire	0	0
New Jersey	12.7	12.7
New Mexico	5.0	5.0
New York	21.1	21.1
North Carolina	23.9	23.9
North Dakota	11.2	11.2
Ohio	10.3	10.3
Oklahoma	12.3	12.3
Oregon	25.1	25.1
Pennsylvania	17.0	17.0
Rhode Island	15.7	15.7
South Carolina	18.3	18.3
South Dakota	0	0
Tennessee	0	0
Texas	0	0
Utah	16.7	16.7
Vermont	18.0	18.0
Virginia	19.8	19.8
Washington	0	0
West Virginia	13.1	13.1
Wisconsin	27.5	27.5
Wyoming	0	0

* Adjusted for Federal transfer payment

SOURCE: U.S. Bureau of the Census

TABLE 8

PERSONAL INCOME TAX - SUMMARY

State	Apportioning the Burden: Points	Apportioning the Burden: Index 78=50	Reliance on the Personal Income Tax: Points	Reliance on the Personal Income Tax: Index 30=50	TOTAL	RANK
Alabama	10	6.4	12.5	20.8	27.2	40
Alaska	39	25.0	20.4	34.0	59.0	8
Arizona	19	12.1	10.2	17.0	29.1	38
Arkansas	32	20.5	16.3	27.2	47.7	19
California	58	37.1	18.2	30.3	67.4	3
Colorado	35	22.4	14.6	24.3	46.7	21
Connecticut (a)	0	0	0	0	0	43
Delaware	23	14.7	30.0	50.0	64.7	4
D.C.	38	24.3	16.0	26.7	51.0	15
Florida (b)	0	0	0	0	0	43
Georgia	32	20.5	15.9	26.5	47.0	20
Hawaii	35	22.4	20.7	34.5	56.9	10
Idaho	35	22.4	20.1	33.5	55.9	11
Illinois	6	3.8	15.6	26.0	29.8	37
Indiana	3	1.9	12.5	20.8	22.7	42
Iowa	17	10.8	19.0	31.7	42.5	26
Kansas	32	20.5	14.9	24.8	45.3	23
Kentucky	7	4.4	17.5	29.2	33.6	34
Louisiana	23	14.7	6.5	10.8	25.5	41
Maine	64	41.0	12.6	21.0	62.0	5
Maryland	8	5.12	19.5	32.5	37.62	29
Massachusetts	18	11.5	23.4	39.0	50.5	16
Michigan	39	25.0	21.8	36.3	61.3	7
Minnesota	39	25.0	25.8	43.0	68.0	2
Mississippi	40	25.6	10.0	16.7	42.3	27
Missouri	28	12.3	13.4	22.3	34.6	33
Montana	16	10.2	17.9	29.9	30.1	36
Nebraska	49	31.4	13.1	21.8	53.2	13
Nevada (b)	0	0	0	0	0	43
New Hampshire (a)	0	0	0	0	0	43
New Jersey	15	9.6	12.7	21.2	30.8	35
New Mexico	78	50.0	5.0	8.3	58.3	9
New York	41	26.2	21.1	35.2	61.4	6
North Carolina	16	10.2	23.9	39.8	50.0	17
North Dakota	35	22.4	11.2	18.7	41.1	28
Ohio	29	18.5	10.3	17.2	35.7	31
Oklahoma	45	28.8	12.3	20.5	49.3	18
Oregon	16	10.2	25.1	41.8	52.0	14
Pennsylvania	0	0	17.0	28.3	28.3	39
Rhode Island	32	20.5	15.7	26.2	46.7	21
South Carolina	22	14.1	18.3	30.5	44.6	24
South Dakota (b)	0	0	0	0	0	43
Tennessee (a)	0	0	0	0	0	43
Texas (b)	0	0	0	0	0	43
Utah	11	7.1	16.7	27.8	34.9	32
Vermont	38	24.3	18.0	30.0	54.3	12
Virginia	17	10.8	19.8	33.0	43.8	25
Washington (b)	0	0	0	0	0	43
West Virginia	22	14.1	13.1	21.8	35.9	30
Wisconsin	37	23.7	27.5	45.8	69.5	1
Wyoming (b)	0	0	0	0	0	43

(a) States with narrow based personal income tax discussed in Intangibles section in the Property Tax area.

(b) States with no personal income tax.

TABLE 9

BUSINESS TAXES - THE CORPORATE INCOME TAX

State	States with a nominal corporate income tax of at least 6% on taxable income over $25,000	Points
Alabama	-	0
Alaska	-	0
Arizona	x	10
Arkansas	x	10
California	x	10
Colorado	-	0
Connecticut	x	10
Delaware	x	10
District of Columbia	x	10
Florida	-	0
Georgia	x	10
Hawaii	x	10
Idaho	x	10
Illinois	-	0
Indiana	-	0
Iowa	x	10
Kansas	-	0
Kentucky	-	0
Louisiana	-	0
Maine	x	10
Maryland	x	10
Massachusetts	x	10
Michigan*	x	10
Minnesota	x	10
Mississippi	-	0
Missouri	-	0
Montana	x	10
Nebraska	-	0
Nevada	-	0
New Hampshire	x	10
New Jersey	x	10
New Mexico	-	0
New York	x	10
North Carolina	x	10
North Dakota	x	10
Ohio	x	10
Oklahoma	-	0
Oregon	x	10
Pennsylvania	x	10
Rhode Island	x	10
South Carolina	x	10
South Dakota	x	10
Tennessee	x	10
Texas	-	0
Utah	x	10
Vermont	x	10
Virginia	x	10
Washington	-	0
West Virginia	x	10
Wisconsin	x	10
Wyoming	-	0

* Included in these rankings is 1976 data that does not reflect the impact of the single business tax implemented in Michigan in 1977. Initial studies indicate the impact of the new tax would considerably lower Michigan's ranking.

SOURCE: Significant Features in Fiscal Federalism (1976-77)
Advisory Commission on Intergovernmental Relations

TABLE 10

BUSINESS TAXES - MEASURING THE TAX BASE

State	Arm's Length Method	Unitary Concept: Single State and Domestic Primarily	Unitary Concept: Worldwide	Points
Alabama	x	-	-	0
Alaska	-	-	x	10
Arizona	-	x	-	5
Arkansas	x	-	-	0
California	-	-	x	10
Colorado	-	-	x	10
Connecticut	-	x	-	5
Delaware	x	-	-	0
D.C.	-	x	-	5
Florida	-	x	-	5
Georgia	-	x	-	5
Hawaii	x	-	-	0
Idaho	-	-	x	10
Illinois	x	-	-	0
Indiana	-	x	-	5
Iowa	-	x	-	5
Kansas	-	x	-	5
Kentucky	x	-	-	0
Louisiana	-	x	-	5
Maine	-	x	-	5
Maryland	x	-	-	0
Massachusetts	-	x	-	5
Michigan	-	x	-	5
Minnesota	-	x	-	5
Mississippi	-	x	-	5
Missouri	-	x	-	5
Montana	-	-	x	10
Nebraska	-	x	-	5
Nevada	x	-	-	0
New Hampshire	x	-	-	0
New Jersey	x	-	-	0
New Mexico	x	-	-	0
New York	-	x	-	5
North Carolina	-	x	-	5
North Dakota	-	-	x	10
Ohio	-	x	-	5
Oklahoma	-	x	-	5
Oregon	-	-	x	10
Pennsylvania	x	-	-	0
Rhode Island	x	-	-	0
South Carolina	x	-	-	0
South Dakota	x	-	-	0
Tennessee	-	x	-	5
Texas	x	-	-	0
Utah	-	-	x	10
Vermont	x	-	-	0
Virginia	-	x	-	5
Washington	x	-	-	0
West Virginia	-	x	-	5
Wisconsin	-	x	-	5
Wyoming	x	-	-	0

SOURCE: 1976 Survey - California State Franchise Tax Board, 1977

Multistate Tax Commission

TABLE 11

BUSINESS TAXES - INCENTIVES

State	Corporate Income Tax Exemptions*	Excise Tax Exemption	Tax exemption or moratorium of land, capital improvements	Tax exemption or moratorium on equipment, machinery	Tax exemption on manufacturer's inventory	Sales/use tax exemptions on new equipment	Tax exemption on raw materials used in manufacturing	Tax credit used for specified state products	Tax exemption to encourage Research and Development	Accelerated depreciation of industrial equipment	POINTS
Alabama	x	x	x	x	x	x	x	-	-	-	-7
Alaska	-	-	-	-	-	x	x	-	-	-	-2
Arizona	x	-	-	-	x	-	x	-	-	x	-4
Arkansas	-	-	-	-	x	x	x	-	-	-	-3
California	-	-	-	-	x	x	x	-	-	-	-3
Colorado	-	-	-	-	x	-	x	-	-	-	-2
Connecticut	x	-	-	x	x	-	x	-	-	-	-4
Delaware	-	x	-	x	x	x	x	-	-	x	-6
District of Columbia	x	-	-	-	x	-	x	-	-	x	-4
Florida	x	-	-	-	x	-	x	x	-	-	-4
Georgia	-	-	-	-	x	x	x	-	-	x	-4
Hawaii	-	x	-	x	x	x	-	-	-	x	-5
Idaho	-	-	-	-	x	x	x	-	-	x	-4
Illinois	-	-	-	-	-	-	x	-	-	x	-2
Indiana	-	-	-	x	-	x	x	-	-	x	-4
Iowa	x	-	-	-	x	-	x	-	-	x	-4
Kansas	x	-	x	x	-	x	x	-	-	x	-6
Kentucky	-	-	x	x	x	x	x	-	-	x	-6
Louisiana	x	-	x	x	-	-	x	x	-	x	-6
Maine	-	-	-	-	x	x	x	-	x	-	-4
Maryland	-	-	x	x	x	x	x	-	x	x	-7
Massachusetts	-	x	-	x	x	-	-	-	-	-	-3
Michigan	-	-	-	x	-	x	-	-	-	-	-2
Minnesota	-	-	-	x	x	x	x	-	x	x	-6
Mississippi	-	-	x	x	x	x	x	-	-	x	-6
Missouri	x	-	-	-	-	x	x	-	-	-	-3
Montana	x	-	x	x	x	x	-	-	-	-	-5
Nebraska	-	-	-	-	x	-	x	-	-	-	-2
Nevada	x	-	-	-	x	-	-	-	-	-	-2
New Hampshire	-	-	-	x	x	x	x	-	-	-	-4
New Jersey	-	-	x	x	x	-	x	-	-	x	-5
New Mexico	-	-	-	-	x	-	x	-	-	x	-3
New York	x	x	x	x	x	x	x	-	x	-	-8
North Carolina	-	-	-	-	-	x	x	-	-	-	-2
North Dakota	x	x	x	x	x	-	x	-	x	-	-7
Ohio	-	-	x	-	-	x	x	-	-	-	-3
Oklahoma	x	-	x	x	x	x	x	-	-	x	-7
Oregon	-	x	x	-	x	x	x	-	-	-	-5
Pennsylvania	-	-	-	x	x	x	x	-	x	-	-5
Rhode Island	-	-	x	x	x	x	x	-	x	-	-6
South Carolina	-	-	x	x	x	x	x	-	x	-	-6
South Dakota	x	x	x	x	x	-	x	x	-	-	-7
Tennessee	-	-	-	x	x	x	x	-	-	x	-5
Texas	x	-	x	x	-	-	x	-	-	-	-4
Utah	x	-	-	-	x	-	-	-	-	-	-2
Vermont	-	-	-	-	-	x	-	-	-	x	-3
Virginia	-	-	x	x	-	x	x	-	x	x	-6
Washington	x	-	x	x	x	-	x	-	-	-	-5
West Virginia	x	x	-	-	-	x	x	-	-	-	-4
Wisconsin	x	-	-	x	x	x	x	-	-	x	-6
Wyoming	x	x	-	-	x	-	x	-	-	-	-4

* Federal, state, or both

SOURCE: The Book of the States-Council of State Governments, (Lexington, Ky., 1978) p.495

TABLE 12

BUSINESS TAXES - SUMMARY

State	The Corporate Income Tax		Measuring the Tax Base		Incentives			
	Points	Index 10=50	Points	Index 10=50	Points	Index -8=-50	TOTAL	RANK
Alabama	0	0	0	0	-7	-44	-44	51
Alaska	0	0	10	50	-2	-13	37	19
Arizona	10	50	5	25	-4	-25	50	11
Arkansas	10	50	0	0	-3	-19	31	24
California	10	50	10	50	-3	-19	81	2
Colorado	0	0	10	50	-2	-13	37	19
Connecticut	10	50	5	25	-4	-25	50	11
Delaware	10	50	0	0	-6	-38	12	31
District of Columbia	10	50	5	25	-4	-25	50	11
Florida	0	0	5	25	-4	-25	0	38
Georgia	10	50	5	25	-4	-25	50	11
Hawaii	10	50	0	0	-5	-32	18	28
Idaho	10	50	10	50	-4	-25	75	3
Illinois	0	0	0	0	-2	-13	-13	40
Indiana	0	0	5	25	-4	-25	0	38
Iowa	10	50	5	25	-4	-25	50	11
Kansas	0	0	5	25	-6	-38	-13	40
Kentucky	0	0	0	0	-6	-38	-38	50
Louisiana	0	0	5	25	-6	-38	-13	40
Maine	10	50	5	25	-4	-25	50	11
Maryland	10	50	0	0	-7	-44	6	35
Massachusetts	10	50	5	25	-3	-19	56	8
Michigan	10	50	5	25	-2	-13	62	6*
Minnesota	10	50	5	25	-6	-38	37	19
Mississippi	0	0	5	25	-6	-38	-13	40
Missouri	0	0	5	25	-3	-19	6	35
Montana	10	50	10	50	-5	-32	68	4
Nebraska	0	0	5	25	-2	-13	12	31
Nevada	0	0	0	0	-2	-13	-13	40
New Hampshire	10	50	0	0	-4	-25	25	26
New Jersey	10	50	0	0	-5	-32	18	28
New Mexico	0	0	0	0	-3	-19	-19	45
New York	10	50	5	25	-8	-50	25	26
North Carolina	10	50	5	25	-2	-13	62	6
North Dakota	10	50	10	50	-7	-44	56	8
Ohio	10	50	5	25	-3	-19	56	8
Oklahoma	0	0	5	25	-7	-44	-19	45
Oregon	10	50	10	50	-5	-32	68	4
Pennsylvania	10	50	0	0	-5	-32	18	28
Rhode Island	10	50	0	0	-6	-38	12	31
South Carolina	10	50	0	0	-6	-38	12	31
South Dakota	10	50	0	0	-7	-44	6	35
Tennessee	10	50	5	25	-5	-32	43	18
Texas	0	0	0	0	-4	-25	-25	47
Utah	10	50	10	50	-2	-13	87	1
Vermont	10	50	0	0	-3	-19	31	24
Virginia	10	50	5	25	-6	-38	37	19
Washington	0	0	0	0	-5	-32	-32	49
West Virginia	10	50	5	25	-4	-25	50	11
Wisconsin	10	50	5	25	-6	-38	37	19
Wyoming	0	0	0	0	-4	-25	-25	47

* These rankings do not reflect the impact of the single business tax implemented in Michigan in 1977. Initial studies indicate the impact of the new tax would considerably lower Michigan's ranking.

TABLE 13

PROPERTY TAX - CONFORMITY WITH THE STATE STANDARD AND FULL-VALUE STATE STANDARD

State	Percentage of conformance of the assessment/sales price ratio to the state legal assessment standard: 50-below	51-60	61-70	71-80	81-90	91-100	Full Value State Standard	Points
Alabama	-	-	-	x	-	-	-	6
Alaska	-	-	-	x	-	-	x	11
Arizona	-	-	-	x	-	-	-	6
Arkansas	-	x	-	-	-	-	-	2
California	-	-	-	x	-	-	-	6
Colorado	-	-	x	-	-	-	-	4
Connecticut	x	-	-	-	-	-	-	0
Delaware	x	-	-	-	-	-	-	0
District of Columbia	-	-	x	-	-	-	-	4
Florida	-	-	x	-	-	-	x	9
Georgia	-	-	-	-	x	-	-	8
Hawaii	-	-	-	x	-	-	-	6
Idaho	x	-	-	-	-	-	-	0
Illinois	-	-	-	-	x	-	-	8
Indiana	x	-	-	-	-	-	-	0
Iowa	-	-	-	x	-	-	x	11
Kansas	x	-	-	-	-	-	-	0
Kentucky	-	-	-	x	-	-	x	6
Louisiana	x	-	-	-	-	-	-	0
Maine	-	x	-	-	-	-	x	7
Maryland	x	-	-	-	-	-	x	5
Massachusetts	x	-	-	-	-	-	-	0
Michigan	-	-	-	-	x	-	-	8
Minnesota	-	x	-	-	-	-	-	2
Mississippi	x	-	-	-	-	-	x	5
Missouri	-	x	-	-	-	-	-	2
Montana	-	x	-	-	-	-	-	2
Nebraska	-	x	-	-	-	-	-	2
Nevada	-	-	x	-	-	-	-	4
New Hampshire	-	-	x	-	-	-	x	9
New Jersey	-	-	x	-	-	-	-	4
New Mexico	-	x	-	-	-	-	-	2
New York	x	-	-	-	-	-	x	5
North Carolina	-	-	x	-	-	-	-	4
North Dakota	x	-	-	-	-	-	-	0
Ohio	-	-	-	-	x	-	-	8
Oklahoma	x	-	-	-	-	-	-	0
Oregon	-	-	-	x	-	-	x	11
Pennsylvania	x	-	-	-	-	-	-	0
Rhode Island	x	-	-	-	-	-	-	0
South Carolina	-	-	-	-	x	-	-	8
South Dakota	x	-	-	-	-	-	-	0
Tennessee	x	-	-	-	-	-	-	0
Texas	x	-	-	-	-	-	x	5
Utah	x	-	-	-	-	-	-	0
Vermont	x	-	-	-	-	-	-	4
Virginia	x	-	-	-	-	-	x	5
Washington	-	-	x	-	-	-	x	9
West Virginia	-	x	-	-	-	-	-	2
Wisconsin	-	x	-	-	-	-	x	7
Wyoming	x	-	-	-	-	-	-	0

SOURCE: School Finance at a Third Glance, Education Commission of the States, Denver, Colorado, 1978

1977 Census of Governments, Volume 2
Bureau of the Census, Washington, D.C., 1978

TABLE 14

PROPERTY TAX - STATE ASSESSMENT ADMINISTRATION

State	Annual or Biannual Assessments	Assessment/ Sales Price Ratio	State Supported Training	Certification Required	Monetary Incentives	POINTS
Alabama	-	-	-	-	-	0
Alaska	-	x	x	-	-	10
Arizona	x	-	x	-	-	10
Arkansas	x	x	-	-	-	10
California	x	x	x	x	-	20
Colorado	-	x	-	-	-	5
Connecticut	-	-	-	x	-	5
Delaware	-	-	x	-	-	5
D.C.	x	-	x	x (a)	-	14
Florida	x	-	x	-	x	12
Georgia	-	x	x	x	-	15
Hawaii	x	x	x	x (a)	-	19
Idaho	-	-	x	-	-	5
Illinois	-	x	x	-	x	12
Indiana	-	-	x	-	-	5
Iowa	x	x	-	x	-	15
Kansas	x	x	x	x	-	20
Kentucky	-	x	-	x	-	10
Louisiana	-	-	x	-	-	5
Maine	-	x	x	x	-	15
Maryland	x	x	x	x (a)	x	21
Massachusetts	-	-	-	-	-	0
Michigan	-	x	x	x	-	15
Minnesota	-	x	x	x	-	15
Mississippi	x	-	x	-	-	10
Missouri	x	-	x	-	-	10
Montana	-	-	x	-	-	5
Nebraska	x	x	x	x	x	22
Nevada	-	x	x	x	-	15
New Hampshire	x	-	x	-	-	10
New Jersey	x	x	x	x	-	20
New Mexico	x	x	x	-	x	17
New York	x	x	x	-	-	15
North Carolina	-	-	x	x	-	10
North Dakota	x	x	-	-	-	10
Ohio	-	x	-	-	-	5
Oklahoma	-	x	x	-	-	10
Oregon	x	x	x	x	-	20
Pennsylvania	-	x	x	-	-	10
Rhode Island	-	x	x	-	-	10
South Carolina	-	x	x	x	-	15
South Dakota	x	x	x	x	-	20
Tennessee	x	-	x	-	x	12
Texas	-	-	x	x	-	10
Utah	-	x	x	x	-	15
Vermont	x	x	x	-	-	15
Virginia	-	x	x	-	-	10
Washington	-	x	x	-	-	10
West Virginia	x	x	x	-	-	15
Wisconsin	x	x	x	x	-	20
Wyoming	x	-	x	-	-	10

(a) Civil Service - one point awarded

SOURCE: International Association of Assessing Officers, Chicago, Illinois

TABLE 15

PROPERTY TAX - MEDIAN COEFFICIENT OF DISPERSION
(Intradistrict Uniformity)

State	15% or less	16-20%	21-25%	26-30%	31-35%	36+%	Points
Alabama	-	-	-	-	-	x	0
Alaska	-	-	x	-	-	-	6
Arizona	-	-	x	-	-	-	6
Arkansas	-	-	-	-	x	-	2
California	-	x	-	-	-	-	8
Colorado	-	x	-	-	-	-	8
Connecticut	x	-	-	-	-	-	10
Delaware	-	-	x	-	-	-	6
District of Columbia	-	-	-	x	-	-	4
Florida	-	x	-	-	-	-	8
Georgia	-	-	x	-	-	-	6
Hawaii	-	x	-	-	-	-	8
Idaho	-	-	-	x	-	-	4
Illinois	-	-	x	-	-	-	6
Indiana	-	-	-	-	x	-	2
Iowa	-	x	-	-	-	-	8
Kansas	-	-	-	-	x	-	2
Kentucky	-	x	-	-	-	-	8
Louisiana	-	-	-	-	x	-	2
Maine	-	x	-	-	-	-	8
Maryland	x	-	-	-	-	-	10
Massachusetts	x	-	-	-	-	-	10
Michigan	-	x	-	-	-	-	8
Minnesota	-	-	x	-	-	-	6
Mississippi	-	-	-	-	x	-	2
Missouri	-	-	-	x	-	-	4
Montana	-	-	-	-	-	x	0
Nebraska	-	-	-	x	-	-	4
Nevada	-	-	-	x	-	-	4
New Hampshire	-	x	-	-	-	-	8
New Jersey	-	-	x	-	-	-	6
New Mexico	-	-	-	-	x	-	2
New York	-	-	-	-	x	-	2
North Carolina	-	-	x	-	-	-	6
North Dakota	-	-	-	-	x	-	2
Ohio	-	-	x	-	-	-	6
Oklahoma	-	-	-	x	-	-	4
Oregon	-	x	-	-	-	-	8
Pennsylvania	-	-	-	-	-	x	0
Rhode Island	-	x	-	-	-	-	8
South Carolina	-	-	-	-	x	-	2
South Dakota	-	-	-	-	x	-	2
Tennessee	-	-	-	x	-	-	4
Texas	-	-	-	-	x	-	2
Utah	-	-	-	-	x	-	2
Vermont	-	-	x	-	-	-	6
Virginia	-	x	-	-	-	-	8
Washington	-	-	x	-	-	-	6
West Virginia	-	-	-	-	-	x	0
Wisconsin	-	x	-	-	-	-	8
Wyoming	-	-	-	-	-	x	0

NOTE: The Census data reflect coefficients of dispersion for median jurisdictions and do not represent uniformity within all of each of the states' taxing districts.

SOURCE: 1977 Census of Governments, Volume 2
Bureau of the Census, Washington, D.C., 1978

TABLE 16

PROPERTY TAX - INTANGIBLES

State	States with Significant Personal Intangible Taxes	Points
Alabama	-	0
Alaska	-	0
Arizona	-	0
Arkansas	-	0
California	-	0
Colorado	-	0
Connecticut	-	0
Delaware	-	0
District of Columbia	-	0
Florida	x	25
Georgia	x	25
Hawaii	-	0
Idaho	-	0
Illinois	-	0
Indiana	x	25
Iowa	-	0
Kansas	-	0
Kentucky	x	25
Louisiana	-	0
Maine	-	0
Maryland	-	0
Massachusetts	-	0
Michigan	-	0
Minnesota	-	0
Mississippi	-	0
Missouri	-	0
Montana	-	0
Nebraska	-	0
Nevada	-	0
New Hampshire	-	0
New Jersey	-	0
New Mexico	-	0
New York	-	0
North Carolina	x	25
North Dakota	-	0
Ohio	-	0
Oklahoma	-	0
Oregon	-	0
Pennsylvania	x	25
Rhode Island	-	0
South Carolina	-	0
South Dakota	x	25
Tennessee	-	0
Texas	-	0
Utah	-	0
Vermont	-	0
Virginia	-	0
Washington	-	0
West Virginia	-	0
Wisconsin	-	0
Wyoming	-	0

SOURCE: Bruce L. Jaffee - "State Taxation of Intangibles: The Problem of Evasion", Public Finance Quarterly, Vol. 6, No. 4, October 1978

TABLE 17

PROPERTY TAX - INCOME TARGETED PROPERTY TAX RELIEF PROGRAMS

State	Optional		Homestead	Circuit Breaker				Points
	Elderly/Disabled Renters	Elderly/Disabled Homeowners	Elderly/Disabled Homeowners	Elderly/Disabled Renters	Elderly/Disabled Homeowners	Renters	Homeowners	
Alabama	-	-	x	-	-	-	-	12
Alaska	-	-	-	-	-	-	-	0
Arizona	-	-	-	x	x	-	-	19
Arkansas	-	-	-	-	x	-	-	17
California	-	-	-	x	x	-	-	19
Colorado	-	-	-	x	x	-	-	19
Connecticut	-	-	-	x	x	-	-	19
Delaware	-	-	x	-	-	-	-	12
D.C.	-	-	-	-	-	x	x	31
Florida	-	-	-	-	-	-	-	0
Georgia	-	-	x	-	-	-	-	12
Hawaii	-	-	-	-	-	-	-	0
Idaho	-	-	-	-	x	-	-	17
Illinois	-	-	-	x	x	-	-	19
Indiana	-	-	-	x	x	-	-	19
Iowa	-	-	-	x	x	-	-	19
Kansas	-	-	-	x	x	-	-	19
Kentucky	-	-	-	-	-	-	-	0
Louisiana	-	-	-	-	-	-	-	0
Maine	-	-	-	x	x	-	-	19
Maryland	-	-	-	-	-	-	x	23
Massachusetts	-	-	x	-	-	-	-	12
Michigan	-	-	-	-	-	x	x	31
Minnesota	-	-	-	-	-	x	x	31
Mississippi	-	-	-	-	-	-	-	0
Missouri	-	-	-	x	x	-	-	19
Montana	-	-	x	-	-	-	-	12
Nebraska	-	-	x	-	-	-	-	12
Nevada	-	-	-	x	x	-	-	19
New Hampshire	-	-	x	-	-	-	-	12
New Jersey	-	-	x	-	-	-	-	12
New Mexico	-	-	-	x	x	-	-	19
New York	-	-	-	-	-	x	x	31
North Carolina	-	-	x	-	-	-	-	12
North Dakota	-	-	-	-	x	-	-	17
Ohio	-	-	-	-	x	-	-	17
Oklahoma	-	-	-	-	x	-	-	17
Oregon	-	-	-	-	-	x	x	31
Pennsylvania	-	-	-	x	x	-	-	19
Rhode Island	-	-	-	x	-	-	-	19
South Carolina	-	-	-	-	-	-	-	0
South Dakota	-	-	-	-	x	-	-	17
Tennessee	-	-	x	-	-	-	-	12
Texas	-	-	-	-	-	-	-	0
Utah	-	-	-	x	x	-	-	19
Vermont	-	-	-	-	-	x	x	31
Virginia	-	x	-	-	-	-	-	7
Washington	-	-	x	-	-	-	-	12
West Virginia	-	-	-	x	x	-	-	19
Wisconsin	-	-	-	-	-	x	x	31
Wyoming	-	-	x	-	-	-	-	12

SOURCE: Significant Features of Fiscal Federalism, 1976-77, Vol. II, Advisory Commission on Intergovernmental Relations

Commerce Clearing House Reports

School Finance at a Third Glance, Education Commission of the States, Denver, Co. 1978

"An Analysis of State Personal Income Taxes and Property Tax Circuit Breakers", John Shannon and Frank Tippett, ACIR.

TABLE 18

PROPERTY TAX - SUMMARY

State	Conformance w/ the State Standard and the Full Value Standard		State Assessment Administration		Median Coefficient of Dispersion; (Intradistrict Uniformity)		Taxation of Intangibles		Relief to Individuals		TOTAL	RANK
	Points	Index 11=50	Points	Index 22=50	Points	Index 10=50	Points	Index 25=50	Points	Index 31=50		
Alabama	6	27	0	0	0	0	0	0	12	19	46	48
Alaska	11	50	10	23	6	30	0	0	0	0	103	25
Arizona	6	27	10	23	6	30	0	0	19	31	111	21
Arkansas	2	9	10	23	2	10	0	0	17	27	69	40
California	6	27	20	45	8	40	0	0	19	31	143	8
Colorado	4	18	5	11	8	40	0	0	19	31	100	28
Connecticut	0	0	5	11	10	50	0	0	19	31	92	32
Delaware	0	0	5	11	6	30	0	0	12	19	60	43
D.C.	4	18	14	32	4	20	0	0	31	50	120	17
Florida	9	41	12	27	8	40	25	50	0	0	158	5
Georgia	8	36	15	34	6	30	25	50	12	19	169	2
Hawaii	6	27	19	43	8	40	0	0	0	0	110	22
Idaho	0	0	5	11	4	20	0	0	17	27	58	45
Illinois	8	36	12	27	6	30	0	0	19	31	124	14
Indiana	0	0	5	11	2	10	25	50	19	31	102	27
Iowa	11	50	15	34	8	40	0	0	19	31	155	7
Kansas	0	0	20	45	2	10	0	0	19	31	86	34
Kentucky	6	27	10	23	8	40	25	50	0	0	140	9
Louisiana	0	0	5	11	2	10	0	0	0	0	21	51
Maine	7	32	15	34	8	40	0	0	19	31	137	11
Maryland	5	23	21	48	10	50	0	0	23	37	158	5
Massachusetts	0	0	0	0	10	50	0	0	12	19	69	40
Michigan	8	36	15	34	8	40	0	0	31	50	160	4
Minnesota	2	9	15	34	6	30	0	0	31	50	123	15
Mississippi	5	23	10	23	2	10	0	0	0	0	56	46
Missouri	2	9	10	23	4	20	0	0	19	31	83	35
Montana	2	9	5	11	0	0	0	0	12	19	39	50
Nebraska	2	9	22	50	4	20	0	0	12	19	98	29
Nevada	4	18	15	34	4	20	0	0	19	31	103	25
New Hampshire	9	41	10	23	8	40	0	0	19	31	123	15
New Jersey	4	18	20	45	6	30	0	0	12	19	112	20
New Mexico	2	9	17	39	2	10	0	0	19	31	89	33
New York	5	23	15	34	2	10	0	0	31	50	117	18
North Carolina	4	18	10	23	6	30	25	50	12	19	140	9
North Dakota	0	0	10	23	2	10	0	0	17	27	60	43
Ohio	8	36	5	11	0	0	0	0	17	27	104	23
Oklahoma	0	0	10	23	0	0	0	0	17	27	70	39
Oregon	11	50	20	45	8	40	0	0	31	50	185	1
Pennsylvania	0	0	10	23	0	0	25	50	19	31	104	23
Rhode Island	0	0	10	23	8	40	0	0	19	31	94	31
South Carolina	8	36	15	34	2	10	0	0	0	0	80	36
South Dakota	0	0	20	45	2	10	25	50	17	27	132	12
Tennessee	0	0	12	27	4	20	0	0	12	19	66	42
Texas	5	23	10	23	2	10	0	0	0	0	56	46
Utah	0	0	15	34	2	10	0	0	19	31	7	37
Vermont	4	18	15	34	6	30	0	0	31	50	132	12
Virginia	5	23	10	23	8	40	0	0	7	11	97	30
Washington	9	41	10	23	6	30	0	0	12	19	113	19
West Virginia	2	9	15	34	0	0	0	0	19	31	74	38
Wisconsin	7	32	20	45	8	40	0	0	31	50	167	3
Wyoming	0	0	10	23	0	0	0	0	12	19	42	49

TABLE 19

GENERAL TAX ADMINISTRATION - ADMINISTRATIVE AND LEGISLATIVE POLICY

State	Administrative Policy: Ratios Prepared	Ratios Made Public	Legislative Policy: Voluntary Annual Report	Expenditure Budget Required	Sunset Law	Points
Alabama	x	x	-	-	-	15
Alaska	-	-	-	-	-	0
Arizona	x	x	-	-	-	15
Arkansas	x	x	-	-	-	15
California	x	x	-	x	-	30
Colorado	x	x	-	-	-	15
Connecticut	-	-	-	-	-	0
Delaware	-	-	-	-	-	0
D.C.	-	-	-	-	-	0
Florida	x	x	-	-	-	15
Georgia	x	x	-	-	-	15
Hawaii	-	-	x	-	-	10
Idaho	-	-	-	-	-	0
Illinois	x	x	-	-	-	15
Indiana	x	x	-	-	-	15
Iowa	-	-	-	-	-	0
Kansas	-	-	-	-	-	0
Kentucky	x	x	-	-	-	15
Louisiana	x	x	-	-	-	15
Maine	x	x	-	-	x	35
Maryland	x	x	-	x	-	30
Massachusetts	-	-	-	-	-	0
Michigan	x	x	-	-	-	15
Minnesota	x	x	-	-	-	15
Mississippi	-	-	-	-	-	0
Missouri	-	-	-	-	-	0
Montana	x	-	x	-	-	20
Nebraska	x	x	-	-	-	15
Nevada	x	x	-	-	-	15
New Hampshire	-	-	-	-	-	0
New Jersey	x	x	-	-	-	15
New Mexico	-	-	-	-	-	0
New York	-	-	-	-	-	0
North Carolina	x	-	-	-	-	10
North Dakota	x	x	-	-	-	15
Ohio	-	-	-	-	-	0
Oklahoma	-	-	-	-	-	0
Oregon	x	x	-	-	-	15
Pennsylvania	x	x	-	-	-	15
Rhode Island	-	-	-	-	-	0
South Carolina	x	x	-	-	-	15
South Dakota	x	x	-	-	-	15
Tennessee	x	x	x	-	-	25
Texas	x	x	-	-	-	15
Utah	x	x	x	-	-	25
Vermont	-	-	-	-	-	0
Virginia	x	x	-	-	-	15
Washington	x	x	-	-	-	15
West Virginia	-	-	-	-	-	0
Wisconsin	x	x	-	x	-	30
Wyoming	x	x	-	-	-	15

SOURCE: Phone survey of state tax administrators, June, 1978

TABLE 20

GENERAL TAX ADMINISTRATION - INTERSTATE COOPERATION

State	Full Member of Multistate Tax Commission	Points
Alabama	-	0
Alaska	x	25
Arizona	-	0
Arkansas	x	25
California	x	25
Colorado	x	25
Connecticut	-	0
Delaware	-	0
District of Columbia	-	0
Florida	-	0
Georgia	-	0
Hawaii	x	25
Idaho	x	25
Illinois	-	0
Indiana	-	0
Iowa	-	0
Kansas	x	25
Kentucky	-	0
Louisiana	-	0
Maine	-	0
Maryland	-	0
Massachusetts	-	0
Michigan	x	25
Minnesota	-	0
Mississippi	-	0
Missouri	x	25
Montana	x	25
Nebraska	x	25
Nevada	x	25
New Hampshire	-	0
New Jersey	-	0
New Mexico	x	25
New York	-	0
North Carolina	-	0
North Dakota	x	25
Ohio	-	0
Oklahoma	-	0
Oregon	x	25
Pennsylvania	-	0
Rhode Island	-	0
South Carolina	-	0
South Dakota	x	25
Tennessee	-	0
Texas	x	25
Utah	x	25
Vermont	-	0
Virginia	-	0
Washington	x	25
West Virginia	-	0
Wisconsin	-	0
Wyoming	-	0

SOURCE: State Tax Reporter, Commerce Clearing House, 1978

Multistate Tax Commission

TABLE 21

GENERAL TAX ADMINISTRATION - STATE PAYMENTS IN LIEU OF TAXES TO LOCALITIES FOR STATE-OWNED PROPERTY

State	None or Insignificant	Limited	Moderate	Major	Points
Alabama	x	-	-	-	0
Alaska	x	-	-	-	0
Arizona	x	-	-	-	0
Arkansas	x	-	-	-	0
California	-	-	x	-	10
Colorado	-	x	-	-	5
Connecticut	-	-	-	x	15
Delaware	x	-	-	-	0
D.C.	-	-	x	-	10
Florida	x	-	-	-	0
Georgia	-	x	-	-	5
Hawaii	x	-	-	-	0
Idaho	-	x	-	-	5
Illinois	-	x	-	-	5
Indiana	x	-	-	-	0
Iowa	x	-	-	-	0
Kansas	x	-	-	-	0
Kentucky	x	-	-	-	0
Louisiana	x	-	-	-	0
Maine	x	-	-	-	0
Maryland	-	-	x	-	10
Massachusetts	-	-	-	x	15
Michigan	-	-	x	-	10
Minnesota	-	-	x	-	10
Mississippi	x	-	-	-	0
Missouri	x	-	-	-	0
Montana	-	x	-	-	5
Nebraska	x	-	-	-	0
Nevada	x	-	-	-	0
New Hampshire	-	x	-	-	5
New Jersey	-	-	-	x	15
New Mexico	x	-	-	-	0
New York	-	-	x	-	10
North Carolina	-	x	-	-	5
North Dakota	-	x	-	-	5
Ohio	-	x	-	-	5
Oklahoma	x	-	-	-	0
Oregon	-	x	-	-	5
Pennsylvania	-	x	-	-	5
Rhode Island	x	-	-	-	0
South Carolina	-	x	-	-	5
South Dakota	-	-	x	-	10
Tennessee	x	-	-	-	0
Texas	-	x	-	-	5
Utah	x	-	-	-	0
Vermont	-	x	-	-	5
Virginia	x	-	-	-	0
Washington	-	-	x	-	10
West Virginia	x	-	-	-	0
Wisconsin	-	-	x	-	10
Wyoming	x	-	-	-	0

SOURCE: Compensating Local Governments for Tax-Exempt Federal and State Property, Advisory Commission on Intergovernmental Relations, April 7, 1977.

TABLE 22

GENERAL TAX ADMINISTRATION - SUMMARY

State	Administrative and Legislative Policy		Interstate Cooperation		Payments in Lieu of Taxes		TOTAL	RANK
	Points	Index 35=50	Points	Index 25=50	Points	Index 15=50		
Alabama	15	21	0	0	0	0	21	35
Alaska	0	0	25	50	0	0	50	20
Arizona	15	21	0	0	0	0	21	35
Arkansas	15	21	25	50	0	0	71	13
California	30	43	25	50	10	33	126	1
Colorado	15	21	25	50	5	17	88	6
Connecticut	0	0	0	0	15	50	50	20
Delaware	0	0	0	0	0	0	0	46
D.C.	0	0	0	0	10	33	33	32
Florida	15	21	0	0	0	0	21	35
Georgia	15	21	0	0	5	17	38	27
Hawaii	10	14	25	50	0	0	64	18
Idaho	0	0	25	50	5	17	67	17
Illinois	15	21	0	0	5	17	38	27
Indiana	15	21	0	0	0	0	21	35
Iowa	0	0	0	0	0	0	0	46
Kansas	0	0	25	50	0	0	50	20
Kentucky	15	21	0	0	0	0	21	35
Louisiana	15	21	0	0	0	0	21	35
Maine	35	50	0	0	0	0	50	20
Maryland	30	43	0	0	10	33	76	11
Massachusetts	0	0	0	0	15	50	50	20
Michigan	15	21	25	50	10	33	104	2
Minnesota	15	21	0	0	10	33	54	18
Mississippi	0	0	0	0	0	0	0	46
Missouri	0	0	25	50	0	0	50	20
Montana	20	29	25	50	5	17	96	5
Nebraska	15	21	25	50	0	0	71	13
Nevada	15	21	25	50	0	0	71	13
New Hampshire	0	0	0	0	5	17	17	43
New Jersey	15	21	0	0	15	50	71	13
New Mexico	0	0	25	50	0	0	50	20
New York	0	0	0	0	10	33	33	32
North Carolina	10	14	0	0	5	17	31	34
North Dakota	15	21	25	50	5	17	88	6
Ohio	0	0	0	0	5	17	17	43
Oklahoma	0	0	0	0	0	0	0	46
Oregon	15	21	25	50	5	17	88	6
Pennsylvania	15	21	0	0	5	17	38	27
Rhode Island	0	0	0	0	0	0	0	46
South Carolina	15	21	0	0	5	17	38	27
South Dakota	15	21	25	50	10	33	104	2
Tennessee	25	36	0	0	0	0	36	31
Texas	15	21	25	50	5	17	88	6
Utah	25	36	25	50	0	0	86	10
Vermont	0	0	0	0	5	17	17	43
Virginia	15	21	0	0	0	0	21	35
Washington	15	21	25	50	10	33	104	2
West Virginia	0	0	0	0	0	0	0	46
Wisconsin	30	43	0	0	10	33	76	11
Wyoming	15	21	0	0	0	0	21	35

APPENDIX

METHODOLOGY

This study identifies the features of state tax systems that contribute to tax equity. The study ranks the state tax systems of the 50 states and the District of Columbia according to how closely their tax systems conform to these features. The greater the conformity, the more equitable the tax system and the higher the state's ranking.

The 51 jurisdictions were ranked from 1 (the most equitable), to 51 (the least equitable). Where states were tied they each received the same ranking, with the next state receiving a ranking as if the tieing states had been ranked separately. For example, if two states are ranked number 1, the next ranked state would be number 3.

The overall ranking of each state represents the summary of the results from ranking the state in each of the five areas studied:

- The Sales Tax
- The Personal Income Tax
- Business Taxes
- Property Tax
- General Tax Administration

In each area, the states and the District of Columbia were ranked from 1 to 51 (1 again being the most equitable). In arriving at the study's composite state rankings (TABLE 1) the results of each Chapter were given equal weight. Since there are five areas, the results of each area or chapter contributed one-fifth of the final results.

The rankings in each of the five areas are based on a point system. The points awarded increased as equity increased. The more points a state received the closer it ranks to 1. The point system was selected by the authors to reflect their views on equity. Rankings were used because the highest number of points possible in each tax area varied. Comparing

total raw points of each area would have no meaningful results.

The total number of points received in each tax area is the sum of the results from a number of subcategories studied. The tax areas and their subcategories studied were:

1. Sales Tax

   - The Rate
   - Exemptions and Credits
   - Services

2. Personal Income Tax

   - Apportioning the Burden
   - Reliance on the Tax

3. Business Taxes

   - The Corporate Income Tax
   - Measuring the Tax Base
   - Incentives

4. Property Taxes

   - Conformity with the State Standard and the Standatd
   - Assessment Administration
   - Intradistrict Coefficient of Dispersion
   - Intangible Property Taxation
   - Property Tax Relief Programs for Individuals

5. General Tax Administration

   - Administrative and Legislative Policy
   - Interstate Cooperation
   - Payments in Lieu of Taxes to Localities

Each subcategory was weighted equally. For example, in the Sales Tax area (Chapter 2) each of the three subcategories --- the Rate, Exemptions and Credits, and Services --- were given the same weight. This means that the greatest number of raw points received in the Rate category was given the same weight as the greatest number of points received in the Exemptions and Credits, or Services subcategories.

Within each tax area the number of possible points depended on the number and importance of the individual characteristics studied in that category. For example, the Services subcategory in the Sales Tax area discusses 15 separate characteristics, each worth from 1 to 10 points based on an evalu-

ation of their impact on equity.

To allow points for each subcategory to be compared and totalled in an acceptable way in each area, the total raw points for each category were assigned an indexed value of 50. All the point values in each subcategory were indexed to 50 for each state. These indexed values were then added to achieve point totals for each tax area. Because of the wide variation in the number of characteristics and their relative impact on equity, the number of points possible in each subcategory varied.

No comparison can be made between the number of raw points awarded in one tax area or subcategory with another. For example, the highest number of raw points awarded for the Rate category (CHAPTER II, THE SALES TAX) was 10, while the highest number of raw points for the Exemptions and Credits category was 15. There is no relationship between these two raw numbers. Differences in raw points awarded were only significant within each subcategory.

AREA: Sales Tax

Subcategory	Highest raw points received		Indexed points
The Rate	10	=	50
Exemptions and Credits	15	=	50
Services	23	=	50

The areas and subcategories studied were selected to give a comprehensive and representative overview of the major aspects of a state tax system. Weighting each area and category equally was done as an effective way of achieving a general overview. To gain the best understanding of where a state specifically succeeds and where it fails in achieving an equitable tax system, the reader should review and analyze the results in each area separately.

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